

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q  
(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2014  
OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-12935

**DENBURY RESOURCES INC.**  
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

5320 Legacy Drive,  
Plano, TX

(Address of principal executive offices)

20-0467835

(I.R.S. Employer Identification No.)

75024

(Zip Code)

Registrant's telephone number, including area code:

(972) 673-2000

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2014
Common Stock, \$.001 par value	352,562,628

Denbury Resources Inc.

Table of Contents

	<u>Page</u>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<u>Item 1.</u>	<u>Financial Statements</u>
	<u>Unaudited Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013</u> 3
	<u>Unaudited Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2014 and 2013</u> 4
	<u>Unaudited Condensed Consolidated Statements of Comprehensive Operations for the Three and Nine Months Ended September 30, 2014 and 2013</u> 5
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2014 and 2013</u> 6
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u> 7
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 17
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u> 35
<u>Item 4.</u>	<u>Controls and Procedures</u> 37
<b><u>PART II. OTHER INFORMATION</u></b>	
<u>Item 1.</u>	<u>Legal Proceedings</u> 38
<u>Item 1A.</u>	<u>Risk Factors</u> 38
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 38
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u> 38
<u>Item 4.</u>	<u>Mine Safety Disclosures</u> 38
<u>Item 5.</u>	<u>Other Information</u> 39
<u>Item 6.</u>	<u>Exhibits</u> 39
	<u>Signatures</u> 40

PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements**

**Denbury Resources Inc.**  
**Unaudited Condensed Consolidated Balance Sheets**  
(In thousands, except par value and share data)

	September 30, 2014	December 31, 2013
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 19,436	\$ 12,187
Accrued production receivable	261,482	262,047
Trade and other receivables, net	85,386	78,295
Derivative assets	29,862	5
Deferred tax assets	6,127	52,754
Other current assets	14,193	9,271
Total current assets	416,486	414,559
<b>Property and equipment</b>		
Oil and natural gas properties (using full cost accounting)		
Proved properties	9,575,271	8,945,326
Unevaluated properties	856,184	780,481
CO <sub>2</sub> properties	1,148,626	1,117,167
Pipelines and plants	2,241,644	2,209,560
Other property and equipment	468,846	466,969
Less accumulated depletion, depreciation, amortization and impairment	(4,093,889)	(3,668,225)
Net property and equipment	10,196,682	9,851,278
Derivative assets	26,464	9,942
Goodwill	1,283,590	1,283,590
Other assets	216,831	229,368
Total assets	\$ 12,140,053	\$ 11,788,737
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 366,153	\$ 410,543
Oil and gas production payable	157,452	174,677
Derivative liabilities	534	53,822
Current maturities of long-term debt	34,712	36,157
Total current liabilities	558,851	675,199
<b>Long-term liabilities</b>		
Long-term debt, net of current portion	3,560,214	3,260,625
Asset retirement obligations	122,584	119,888
Derivative liabilities	—	3,413
Deferred tax liabilities	2,521,670	2,399,294
Other liabilities	26,965	28,912
Total long-term liabilities	6,231,433	5,812,132
<b>Commitments and contingencies (Note 7)</b>		
<b>Stockholders' equity</b>		
Preferred stock, \$.001 par value, 25,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$.001 par value, 600,000,000 shares authorized; 411,367,190 and 409,215,573 shares issued, respectively	411	409
Paid-in capital in excess of par	3,225,323	3,186,714
Retained earnings	3,050,743	2,844,432
Accumulated other comprehensive loss	(226)	(276)
Treasury stock, at cost, 58,842,321 and 46,710,896 shares, respectively	(926,482)	(729,873)
Total stockholders' equity	5,349,769	5,301,406
Total liabilities and stockholders' equity	\$ 12,140,053	\$ 11,788,737

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

[Table of Contents](#)

**Denbury Resources Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**  
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>Revenues and other income</b>				
Oil, natural gas, and related product sales	\$ 622,005	\$ 666,803	\$ 1,902,880	\$ 1,878,644
CO <sub>2</sub> and helium sales and transportation fees	11,378	6,739	33,961	19,859
Interest income and other income	4,274	11,293	14,680	19,502
Total revenues and other income	637,657	684,835	1,951,521	1,918,005
<b>Expenses</b>				
Lease operating expenses	155,198	180,967	488,827	542,067
Marketing and plant operating expenses	15,328	13,131	50,263	36,259
CO <sub>2</sub> and helium discovery and operating expenses	11,434	4,120	22,229	11,261
Taxes other than income	39,966	49,267	136,761	132,218
General and administrative expenses	40,366	35,969	123,011	111,240
Interest, net of amounts capitalized of \$5,862, \$19,768, \$17,413, and \$64,752, respectively	44,752	34,501	140,136	101,137
Depletion, depreciation, and amortization	146,560	125,595	435,854	365,400
Commodity derivatives expense (income)	(252,265)	80,446	(825)	46,874
Loss on early extinguishment of debt	—	—	113,908	44,651
Other expenses	—	1,474	—	14,292
Total expenses	201,339	525,470	1,510,164	1,405,399
<b>Income before income taxes</b>	436,318	159,365	441,357	512,606
Income tax provision	167,570	57,311	169,499	193,001
<b>Net income</b>	\$ 268,748	\$ 102,054	\$ 271,858	\$ 319,605
<b>Net income per common share</b>				
Basic	\$ 0.77	\$ 0.28	\$ 0.78	\$ 0.87
Diluted	\$ 0.77	\$ 0.28	\$ 0.77	\$ 0.86
<b>Dividends per common share</b>				
	\$ 0.0625	\$ —	\$ 0.1875	\$ —
<b>Weighted average common shares outstanding</b>				
Basic	348,454	366,088	348,993	368,101
Diluted	350,918	369,142	351,347	371,316

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**Denbury Resources Inc.**  
**Unaudited Condensed Consolidated Statements of Comprehensive Operations**  
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<b>Net income</b>	\$ 268,748	\$ 102,054	\$ 271,858	\$ 319,605
Other comprehensive income, net of income tax:				
Interest rate lock derivative contracts reclassified to income, net of tax of \$11, \$11, \$35, and \$30, respectively	18	17	50	54
Total other comprehensive income	18	17	50	54
<b>Comprehensive income</b>	\$ 268,766	\$ 102,071	\$ 271,908	\$ 319,659

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

[Table of Contents](#)

**Denbury Resources Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
(In thousands)

	Nine Months Ended September 30,	
	2014	2013
<b>Cash flows from operating activities</b>		
Net income	\$ 271,858	\$ 319,605
Adjustments to reconcile net income to cash flow from operating activities		
Depletion, depreciation, and amortization	435,854	365,400
Deferred income taxes	168,967	169,634
Stock-based compensation	26,104	23,774
Commodity derivatives expense (income)	(825)	46,874
Settlements of commodity derivatives	(102,255)	(662)
Loss on early extinguishment of debt	113,908	44,651
Amortization of debt issuance costs and discounts	10,433	10,581
Other, net	(5,037)	(3,486)
Changes in assets and liabilities, net of effects from acquisitions		
Accrued production receivable	565	(34,910)
Trade and other receivables	(6,885)	(756)
Other current and long-term assets	(370)	(1,199)
Accounts payable and accrued liabilities	(7,195)	52,672
Oil and natural gas production payable	(17,225)	31,111
Other liabilities	(2,800)	(11,080)
<b>Net cash provided by operating activities</b>	<b>885,097</b>	<b>1,012,209</b>
<b>Cash flows from investing activities</b>		
Oil and natural gas capital expenditures	(699,012)	(688,270)
CO <sub>2</sub> capital expenditures	(38,272)	(72,929)
Pipelines and plants capital expenditures	(47,521)	(136,654)
Purchases of other assets	(6,253)	(29,680)
Net proceeds from sales of oil and natural gas properties and equipment	3,011	6,312
Other	(876)	(30,482)
<b>Net cash used in investing activities</b>	<b>(788,923)</b>	<b>(951,703)</b>
<b>Cash flows from financing activities</b>		
Bank repayments	(1,827,000)	(1,170,000)
Bank borrowings	1,897,000	780,000
Repayment of senior subordinated notes	(997,345)	(651,270)
Premium paid on repayment of senior subordinated notes	(101,342)	(36,475)
Proceeds from issuance of senior subordinated notes	1,250,000	1,200,000
Costs of debt financing	(17,551)	(20,026)
Common stock repurchase program	(211,356)	(215,197)
Dividends paid	(65,241)	—
Other	(16,090)	(19,501)
<b>Net cash used in financing activities</b>	<b>(88,925)</b>	<b>(132,469)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>7,249</b>	<b>(71,963)</b>
Cash and cash equivalents at beginning of period	12,187	98,511
<b>Cash and cash equivalents at end of period</b>	<b>\$ 19,436</b>	<b>\$ 26,548</b>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**Denbury Resources Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

**Note 1. Basis of Presentation****Organization and Nature of Operations**

Denbury Resources Inc., a Delaware corporation, is a growing, dividend-paying, domestic oil and natural gas company. Our primary focus is on enhanced oil recovery utilizing CO<sub>2</sub>, and our operations are focused in two key operating areas: the Gulf Coast and Rocky Mountain regions. Our goal is to increase the value of our acquired properties through a combination of exploitation, drilling and proven engineering extraction practices, with the most significant emphasis relating to tertiary recovery operations.

**Interim Financial Statements**

The accompanying unaudited condensed consolidated financial statements of Denbury Resources Inc. and its subsidiaries have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") and do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements and the notes thereto should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2013 (the "Form 10-K"). Unless indicated otherwise or the context requires, the terms "we," "our," "us," "Company," or "Denbury," refer to Denbury Resources Inc. and its subsidiaries.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end, and the results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the year. In management's opinion, the accompanying unaudited condensed consolidated financial statements include all adjustments of a normal recurring nature necessary for a fair statement of our consolidated financial position as of September 30, 2014, our consolidated results of operations for the three and nine months ended September 30, 2014 and 2013, and our consolidated cash flows for the nine months ended September 30, 2014 and 2013.

**Reclassifications**

Certain prior period amounts have been reclassified to conform to the current year presentation. Such reclassifications had no impact on our reported net income, current assets, total assets, current liabilities, total liabilities or stockholders' equity.

**Net Income per Common Share**

Basic net income per common share is computed by dividing the net income attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net income per common share is calculated in the same manner, but includes the impact of potentially dilutive securities. Potentially dilutive securities consist of stock options, stock appreciation rights ("SARs"), nonvested restricted stock and nonvested performance equity awards. For the three and nine months ended September 30, 2014 and 2013, there were no adjustments to net income for purposes of calculating basic or diluted net income per common share.

The following is a reconciliation of the weighted average shares used in the basic and diluted net income per common share calculations for the periods indicated:

<i>In thousands</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Basic weighted average common shares outstanding	348,454	366,088	348,993	368,101
Potentially dilutive securities:				
Restricted stock, stock options, SARs and performance-based equity awards	2,464	3,054	2,354	3,215
Diluted weighted average common shares outstanding	350,918	369,142	351,347	371,316

**Denbury Resources Inc.**  
***Notes to Unaudited Condensed Consolidated Financial Statements***

Basic weighted average common shares exclude shares of nonvested restricted stock. As these restricted shares vest, they will be included in the shares outstanding used to calculate basic net income per common share (although all restricted stock is issued and outstanding upon grant). For purposes of calculating diluted weighted average common shares, the nonvested restricted stock, stock options, and SARs are included in the computation using the treasury stock method, with the deemed proceeds equal to the average unrecognized compensation during the period, the purchase price that the grantee will pay in the future for stock options, and any estimated future tax consequences recognized directly in equity. Stock options and SARs of 3.8 million and 4.0 million shares for the three and nine months ended September 30, 2014, respectively, and 3.6 million shares for the three and nine months ended September 30, 2013, could potentially dilute earnings per share in the future, but were excluded from the computation of diluted net income per share as their effect would have been antidilutive.

**Recent Accounting Pronouncements**

**Revenue Recognition.** In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 amends the guidance for revenue recognition to replace numerous, industry-specific requirements. The core principle of the ASU is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. The ASU implements a five-step process for customer contract revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The amendments in this ASU are effective for reporting periods beginning after December 15, 2016, and early adoption is prohibited. Entities can transition to the standard either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Management is currently assessing the impact the adoption of ASU 2014-09 will have on our consolidated financial statements.

**Discontinued Operations.** In April 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("ASU 2014-08"). ASU 2014-08 amends the definition of a discontinued operation under the *Discontinued Operations* subtopic of the Financial Accounting Standards Board Codification ("FASC") and requires entities to disclose additional information about discontinued operations and disposal transactions that do not meet the discontinued operations criteria. ASU 2014-08 will be applied prospectively for disposals of components of an entity and businesses or nonprofit activities that meet the criteria to be classified as held for sale and occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of ASU 2014-08 is currently not expected to have a material effect on our consolidated financial statements.

**Note 2. Acquisition of Cedar Creek Anticline Properties in 2013**

On March 27, 2013, we acquired producing assets in the Cedar Creek Anticline ("CCA") of Montana and North Dakota from a wholly-owned subsidiary of ConocoPhillips Company for \$1.0 billion after final closing adjustments. This acquisition was not reflected as an Investing Activity on our Unaudited Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2013 due to the movement of the cash used to acquire these assets through a qualified intermediary to facilitate a like-kind-exchange treatment under federal income tax rules. This acquisition meets the definition of a business under the FASC *Business Combinations* topic. The fair values assigned to assets acquired and liabilities assumed in this acquisition have been finalized and no adjustments have been made to fair value amounts previously disclosed in our Form 10-K for the period ended December 31, 2013.

For the three months ended September 30, 2013 and for the period from March 27, 2013 to September 30, 2013, we recognized \$97.1 million and \$189.8 million of oil, natural gas, and related product sales, respectively, from the property interests acquired in the CCA acquisition. For the three months ended September 30, 2013 and for the period from March 27, 2013 to September 30, 2013, we recognized \$70.9 million and \$138.8 million of net field operating income (defined as oil, natural gas and related product sales less lease operating expenses, production and ad valorem taxes, and marketing expenses), respectively, related to the CCA acquisition.

[Table of Contents](#)

**Denbury Resources Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

**Unaudited Pro Forma Acquisition Information.** The following pro forma total revenues and other income and pro forma net income are presented as if the CCA acquisition had occurred on January 1, 2013:

<i>In thousands, except per share data</i>	Nine Months Ended September 30, 2013
Pro forma total revenues and other income	\$ 2,000,179
Pro forma net income	349,809
Pro forma net income per common share	
Basic	\$ 0.95
Diluted	0.94

### Note 3. Long-Term Debt

The following long-term debt and capital lease obligations were outstanding as of the dates indicated:

<i>In thousands</i>	September 30, 2014	December 31, 2013
Bank Credit Agreement	\$ 410,000	\$ 340,000
8¼% Senior Subordinated Notes due 2020	—	996,273
6¾% Senior Subordinated Notes due 2021	400,000	400,000
5½% Senior Subordinated Notes due 2022	1,250,000	—
4⅝% Senior Subordinated Notes due 2023	1,200,000	1,200,000
Other Subordinated Notes, including premium of \$13 and \$16, respectively	2,747	3,823
Pipeline financings	222,585	228,167
Capital lease obligations	109,594	128,519
Total	3,594,926	3,296,782
Less: current obligations	(34,712)	(36,157)
Long-term debt and capital lease obligations	\$ 3,560,214	\$ 3,260,625

The ultimate parent company in our corporate structure, Denbury Resources Inc. ("DRI"), is the sole issuer of all of our outstanding senior subordinated notes. DRI has no independent assets or operations. Each of the subsidiary guarantors of such notes is 100% owned, directly or indirectly, by DRI; any subsidiaries of DRI other than the subsidiary guarantors are minor subsidiaries, and the guarantees of the notes are full and unconditional and joint and several.

#### \$1.6 Billion Revolving Credit Agreement

In March 2010, we entered into a \$1.6 billion revolving credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, and other lenders party thereto (as amended, the "Bank Credit Agreement"). Availability under the Bank Credit Agreement is subject to a borrowing base, which is redetermined semiannually on or around May 1 and November 1 of each year, and additionally upon requested special redeterminations. The borrowing base is adjusted at the lenders' discretion and is based in part upon external factors over which we have no control (including approval by the lenders party to the Bank Credit Agreement). If our outstanding credit under the Bank Credit Agreement exceeds the then effective borrowing base, we would be required to repay the excess amount over a period not to exceed four months. On April 15, 2014, we entered into the Twelfth Amendment to the Bank Credit Agreement to, among other modifications, increase the limit on the amount of Additional Permitted Subordinate Debt (as defined in the Bank Credit Agreement) that we may incur, as part of the April 2014 issuance of our \$1.25 billion of 5½% Senior Subordinated Notes due 2022 (the "5½% Notes") (see *2014 Issuance of 5½% Senior Subordinated Notes due 2022* below) and the refinancing of our \$996.3 million of 8¼% Senior Subordinated Notes due 2020 (the "8¼% Notes"). Our borrowing base was reaffirmed at \$1.6 billion in connection with our last semiannual review completed in May 2014 pursuant to the terms of the Bank

**Denbury Resources Inc.**  
***Notes to Unaudited Condensed Consolidated Financial Statements***

Credit Agreement. Our next semiannual review is currently in process, through which we do not anticipate any reduction in our current borrowing base. The weighted average interest rate on borrowings outstanding as of September 30, 2014 under the Bank Credit Agreement was 1.9%. We incur a commitment fee of either 0.375% or 0.5%, based on the ratio of outstanding credit to the borrowing base, on the unused availability under the Bank Credit Agreement. Loans under the Bank Credit Agreement mature in May 2016.

**2014 Issuance of 5½% Senior Subordinated Notes due 2022**

On April 30, 2014, we issued \$1.25 billion of 5½% Notes. The 5½% Notes, which bear interest at a rate of 5.5% per annum, were sold at 100% of the principal amount. The net proceeds, after issuance costs, of \$1.23 billion were used to repurchase or redeem our outstanding 8¼% Notes, which were issued in 2010 (see *2014 Repurchase and Redemption of 8¼% Notes* below), and to pay down a portion of outstanding borrowings under our Bank Credit Agreement.

The 5½% Notes mature on May 1, 2022, and interest is payable on May 1 and November 1 of each year, commencing November 1, 2014. We may redeem the 5½% Notes in whole or in part at our option beginning May 1, 2017, at the following redemption prices: 104.125% on or after May 1, 2017; 102.75% on or after May 1, 2018; 101.375% on or after May 1, 2019; and 100% on or after May 1, 2020. Prior to May 1, 2017, we may at our option redeem up to an aggregate of 35% of the principal amount of the 5½% Notes at a price of 105.5% with the proceeds of certain equity offerings. In addition, at any time prior to May 1, 2017, we may redeem 100% of the principal amount of the 5½% Notes at a price equal to 100% of the principal amounts plus a "make whole" premium and accrued and unpaid interest. The indenture is generally consistent with the indenture for our 4⅝% Senior Subordinated Notes due 2023 (the "4⅝% Notes") and contains certain restrictions on our ability and the ability of our restricted subsidiaries to (1) incur additional debt; (2) make investments; (3) create liens on our assets or the assets of our restricted subsidiaries; (4) create restrictions on the ability of our restricted subsidiaries to pay dividends or make other payments to the Company or other restricted subsidiaries; (5) engage in transactions with our affiliates; (6) transfer or sell assets or subsidiary stock; (7) consolidate, merge or transfer all or substantially all of our assets and the assets of our restricted subsidiaries; and (8) make restricted payments (which includes paying dividends on our common stock or redeeming, repurchasing or retiring such stock or subordinated debt) unless certain leverage ratios are met.

**2014 Repurchase and Redemption of 8¼% Notes**

On April 30, 2014, we completed a cash tender offer for our 8¼% Notes and purchased a total of \$815.2 million principal amount of these notes. We received sufficient consents in the solicitation to amend the indenture governing the 8¼% Notes by entering into a supplemental indenture, which eliminated most of the restrictive covenants and certain events of default. The purchase under this tender offer was funded by a portion of the proceeds from the sale of our 5½% Notes. On April 30, 2014, we issued a notice of redemption and fully funded the redemption of all of the remaining outstanding 8¼% Notes (\$181.1 million principal amount) at an amount equal to 100% of their principal amount plus the required make-whole premium and accrued interest up to but excluding the May 30, 2014 redemption date, resulting in a satisfaction and discharge of the indenture for the 8¼% Notes.

We recognized a \$113.9 million loss associated with the debt repurchases during the second quarter of 2014, which loss consists of both premium payments made to repurchase or redeem the 8¼% Notes and the elimination of unamortized debt issuance costs related to these notes. The loss is included in our Unaudited Condensed Consolidated Statement of Operations under the caption "Loss on early extinguishment of debt," and premium payments made to repurchase the notes are classified as a financing cash outflow on our Unaudited Condensed Consolidated Statements of Cash Flows under the caption "Premium paid on repayment of senior subordinated notes."

**2013 Issuance of 4⅝% Senior Subordinated Notes due 2023**

In February 2013, we issued \$1.2 billion of 4⅝% Notes. The 4⅝% Notes, which bear interest at a rate of 4.625% per annum, were sold at 100% of the principal amount. The net proceeds, after issuance costs, of \$1.18 billion were used to repurchase or redeem our 9½% Senior Subordinated Notes due 2016 (the "9½% Notes") and our 9¾% Senior Subordinated Notes due 2016 (the "9¾% Notes") (see *2013 Repurchase and Redemption of 9½% Notes and 9¾% Notes* below) and to pay down a portion of outstanding borrowings under our Bank Credit Agreement.

**Denbury Resources Inc.**  
*Notes to Unaudited Condensed Consolidated Financial Statements*

**2013 Repurchase and Redemption of 9½% Notes and 9¾% Notes**

Pursuant to cash tender offers, we repurchased \$426.4 million principal amount of our 9¾% Notes and \$186.7 million principal amount of our 9½% Notes during the first quarter of 2013, and repurchased the remaining \$38.2 million principal amount of our 9½% Notes during the second quarter of 2013. We recognized a loss associated with the debt repurchases of \$44.7 million during the nine months ended September 30, 2013, consisting of both premium payments made to repurchase or redeem the 9½% Notes and 9¾% Notes and the elimination of unamortized debt issuance costs, discounts and premiums related to these notes. The loss is included in our Unaudited Condensed Consolidated Statement of Operations under the caption "Loss on early extinguishment of debt," and premium payments made to repurchase the notes are classified as a financing cash outflow on our Unaudited Condensed Consolidated Statements of Cash Flows under the caption "Premium paid on repayment of senior subordinated notes."

**Note 4. Stockholders' Equity**

**Dividends**

In each of the first three quarters of 2014, we paid a quarterly cash dividend to our common stockholders of \$0.0625 per common share, with aggregate dividends of \$65.2 million, or \$0.1875 per common share, paid during the nine months ended September 30, 2014. See Note 8, *Subsequent Event*, for details regarding the dividend declared and to be paid in the fourth quarter of 2014.

**Stock Repurchase Program**

Under our board-authorized share repurchase program, we repurchased 12.4 million shares of Denbury common stock for \$200.4 million during the first quarter of 2014. Since commencement of the share repurchase program in October 2011 through September 30, 2014, we have repurchased a total of 60.0 million shares of Denbury common stock for \$940.0 million, or \$15.68 per share. As of September 30, 2014, we were authorized to repurchase an additional \$221.9 million of common stock under this repurchase program.

**Note 5. Commodity Derivative Contracts**

We do not apply hedge accounting treatment to our oil and natural gas derivative contracts; therefore, the changes in the fair values of these instruments are recognized in income in the period of change. These fair value changes, along with the cash settlements of expired contracts, are shown under "Commodity derivatives expense (income)" in our Unaudited Condensed Consolidated Statements of Operations.

From time to time, we enter into various oil and natural gas derivative contracts to provide an economic hedge of our exposure to commodity price risk associated with anticipated future oil and natural gas production. We do not hold or issue derivative financial instruments for trading purposes. These contracts have consisted of price floors, collars, three-way collars, fixed-price swaps and fixed-price swaps enhanced with a sold put. The production that we hedge has varied from year to year depending on our levels of debt and financial strength and expectation of future commodity prices. We currently employ a strategy to hedge a portion of our forecasted production approximately 18 months to two years in the future from the current quarter, at prices supporting our long-range plan, as we believe it is important to protect our future cash flow to provide a level of assurance for our capital spending and dividends in those future periods in light of current worldwide economic uncertainties and commodity price volatility.

We manage and control market and counterparty credit risk through established internal control procedures that are reviewed on an ongoing basis. We attempt to minimize credit risk exposure to counterparties through formal credit policies, monitoring procedures, and diversification, and all of our commodity derivative contracts are with parties that are lenders under our Bank Credit Agreement. As of September 30, 2014, all of our outstanding derivative contracts were subject to enforceable master netting arrangements whereby payables on those contracts can be offset against receivables from separate derivative contracts with the same counterparty. It is our policy to classify derivative assets and liabilities on a gross basis on our balance sheets, even if the contracts are subject to enforceable master netting arrangements.

[Table of Contents](#)

**Denbury Resources Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

The following table summarizes our commodity derivative contracts as of September 30, 2014, none of which are classified as hedging instruments in accordance with the FASC *Derivatives and Hedging* topic:

Months	Index Price	Volume <sup>(2)</sup>	Range <sup>(3)</sup>		Contract Prices <sup>(1)</sup>			
					Swap	Weighted Average Price		
					Swap	Sold Put	Floor	Ceiling
<b>Oil Contracts:</b>								
<u>2014 Fixed-Price Swaps</u>								
Oct – Dec	NYMEX	58,000	\$ 90.00	– 93.50	\$ 92.52	\$ —	\$ —	\$ —
<u>2015 Enhanced Swaps <sup>(4)</sup></u>								
Jan – Mar	NYMEX	14,000	\$ 90.00	– 90.30	\$ 90.06	\$ 65.21	\$ —	\$ —
Jan – Mar	LLS	16,000	93.20	– 94.00	93.63	68.00	—	—
Apr – June	NYMEX	8,000	90.00	– 90.00	90.00	65.75	—	—
Apr – June	LLS	16,000	93.20	– 94.00	93.65	68.00	—	—
July – Sept	NYMEX	10,000	90.00	– 90.10	90.02	65.30	—	—
July – Sept	LLS	16,000	93.20	– 94.00	93.65	68.00	—	—
Oct – Dec	NYMEX	12,000	91.15	– 94.00	92.42	68.00	—	—
Oct – Dec	LLS	8,000	93.80	– 96.50	94.94	68.00	—	—
<u>2015 Collars</u>								
Jan – Mar	NYMEX	24,000	\$ 80.00	– 100.90	\$ —	\$ —	\$ 80.00	\$ 96.75
Jan – Mar	LLS	4,000	85.00	– 102.20	—	—	85.00	102.10
Apr – June	NYMEX	30,000	80.00	– 95.25	—	—	80.00	94.72
Apr – June	LLS	4,000	85.00	– 102.50	—	—	85.00	101.75
July – Sept	NYMEX	28,000	80.00	– 95.25	—	—	80.00	95.05
July – Sept	LLS	4,000	85.00	– 100.00	—	—	85.00	99.50
<u>2015 Three-Way Collars <sup>(5)</sup></u>								
Oct – Dec	NYMEX	10,000	\$ 85.00	– 102.00	\$ —	\$ 68.00	\$ 85.00	\$ 99.00
Oct – Dec	LLS	8,000	88.00	– 104.25	—	68.00	88.00	100.99
<u>2016 Enhanced Swaps <sup>(4)</sup></u>								
Jan – Mar	NYMEX	12,000	\$ 90.65	– 93.35	\$ 92.43	\$ 68.00	\$ —	\$ —
Jan – Mar	LLS	8,000	93.70	– 95.45	94.81	68.50	—	—
Apr – June	NYMEX	2,000	90.35	– 90.35	90.35	68.00	—	—
Apr – June	LLS	6,000	93.30	– 93.50	93.38	70.00	—	—
<u>2016 Three-Way Collars <sup>(5)</sup></u>								
Jan – Mar	NYMEX	10,000	\$ 85.00	– 101.25	\$ —	\$ 68.00	\$ 85.00	\$ 99.85
Jan – Mar	LLS	6,000	88.00	– 103.15	—	68.00	88.00	102.10
Apr – June	NYMEX	2,000	85.00	– 95.50	—	68.00	85.00	95.50
Apr – June	LLS	2,000	88.00	– 98.25	—	70.00	88.00	98.25
<b>Natural Gas Contracts:</b>								
<u>2014 Collars</u>								
Oct – Dec	NYMEX	14,000	\$ 4.00	– 4.47	\$ —	\$ —	\$ 4.00	\$ 4.45
<u>2015 Collars</u>								
Jan – Dec	NYMEX	8,000	\$ 4.00	– 4.53	\$ —	\$ —	\$ 4.00	\$ 4.51

(1) Contract prices are stated in \$/Bbl and \$/MMBtu for oil and natural gas contracts, respectively.

**Denbury Resources Inc.**

***Notes to Unaudited Condensed Consolidated Financial Statements***

- (2) Contract volumes are stated in Bbls/d and MMBtus/d for oil and natural gas contracts, respectively.
- (3) Ranges presented for fixed-price swaps and enhanced swaps represent the lowest and highest fixed prices of all open contracts for the period presented. For collars and three-way collars, ranges represent the lowest floor price and highest ceiling price for all open contracts for the period presented.
- (4) An enhanced swap is a fixed-price swap contract combined with a sold put feature (at a lower price) with the same counterparty. The value associated with the sold put is used to increase or enhance the fixed price of the swap. At the contract settlement date, (1) if the index price is higher than the swap price, we pay the counterparty the difference between the index price and swap price for the contracted volumes, (2) if the index price is lower than the swap price but at or above the sold put price, the counterparty pays us the difference between the index price and the swap price for the contracted volumes, and (3) if the index price is lower than the sold put price, the counterparty pays us the difference between the swap price and the sold put price for the contracted volumes.
- (5) A three-way collar is a costless collar contract combined with a sold put feature (at a lower price) with the same counterparty. The value received for the sold put is used to enhance the contracted floor and ceiling price of the related collar. At the contract settlement date, (1) if the index price is higher than the ceiling price, we pay the counterparty the difference between the index price and ceiling price for the contracted volumes, (2) if the index price is between the floor and ceiling price, no settlements occur, (3) if the index price is lower than the floor price but at or above the sold put price, the counterparty pays us the difference between the index price and the floor price for the contracted volumes, and (4) if the index price is lower than the sold put price, the counterparty pays us the difference between the floor price and the sold put price for the contracted volumes.

**Note 6. Fair Value Measurements**

The FASC *Fair Value Measurement* topic defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. We primarily apply the income approach for recurring fair value measurements and endeavor to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. We are able to classify fair value balances based on the observability of those inputs. The FASC establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reported date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. Instruments in this category include non-exchange-traded oil and natural gas derivatives that are based on NYMEX pricing. Our fixed-price swap contracts are valued using a discounted cash flow model based upon forward commodity price curves. Our costless collars and the written put features of our enhanced oil swaps and three-way collars are valued using the Black-Scholes model, an industry standard option valuation model, that takes into account inputs such as contractual prices for the underlying instruments, including maturity, quoted forward prices for commodities, interest rates, volatility factors and credit worthiness, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.
- Level 3 – Pricing inputs include significant inputs that are generally less observable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. At September 30, 2014, instruments in this category include non-exchange-traded oil derivatives that are based on regional pricing other than NYMEX. The valuation models utilized for enhanced swaps, costless collars and three-way collars are consistent with the methodologies described above; however, since the instruments are based on regional pricing other than NYMEX, the inputs to the valuation are less observable. Implied volatilities utilized in the valuation of Level 3 instruments are developed using a benchmark, which is considered a significant unobservable input. A one percent increase or decrease

[Table of Contents](#)

**Denbury Resources Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

in implied volatility would result in a change of approximately \$0.1 million in the fair value of these instruments as of September 30, 2014.

We adjust the valuations from the valuation model for nonperformance risk, using our estimate of the counterparty's credit quality for asset positions and our credit quality for liability positions. We use multiple sources of third-party credit data in determining counterparty nonperformance risk, including credit default swaps.

The following table sets forth, by level within the fair value hierarchy, our financial assets and liabilities that were accounted for at fair value on a recurring basis as of the periods indicated:

<i>In thousands</i>	Fair Value Measurements Using:			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>September 30, 2014</b>				
Assets:				
Oil and natural gas derivative contracts – current	\$ —	\$ 18,609	\$ 11,253	\$ 29,862
Oil and natural gas derivative contracts – long-term	—	15,422	11,042	26,464
Total Assets	\$ —	\$ 34,031	\$ 22,295	\$ 56,326
Liabilities:				
Oil and natural gas derivative contracts – current	\$ —	\$ (534)	\$ —	\$ (534)
Oil and natural gas derivative contracts – long-term	—	—	—	—
Total Liabilities	\$ —	\$ (534)	\$ —	\$ (534)
<b>December 31, 2013</b>				
Assets:				
Oil and natural gas derivative contracts – current	\$ —	\$ 5	\$ —	\$ 5
Oil and natural gas derivative contracts – long-term	—	3,034	6,908	9,942
Total Assets	\$ —	\$ 3,039	\$ 6,908	\$ 9,947
Liabilities:				
Oil and natural gas derivative contracts – current	\$ —	\$ (53,822)	\$ —	\$ (53,822)
Oil and natural gas derivative contracts – long-term	—	(3,214)	(199)	(3,413)
Total Liabilities	\$ —	\$ (57,036)	\$ (199)	\$ (57,235)

Since we do not use hedge accounting for our commodity derivative contracts, any gains and losses on our assets and liabilities are included in "Commodity derivatives expense (income)" in our Unaudited Condensed Consolidated Statements of Operations.

[Table of Contents](#)

**Denbury Resources Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**

*Level 3 Fair Value Measurements*

The following table summarizes the changes in the fair value of our Level 3 assets and liabilities for the three and nine months ended September 30, 2014 and 2013:

<i>In thousands</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Fair value of Level 3 instruments, beginning of period	\$ (39,116)	\$ 3,096	\$ 6,709	\$ —
Fair value adjustments on commodity derivatives	61,411	(2,950)	15,586	146
Fair value of Level 3 instruments, end of period	<u>\$ 22,295</u>	<u>\$ 146</u>	<u>\$ 22,295</u>	<u>\$ 146</u>
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets or liabilities still held at the reporting date	\$ 61,411	\$ (2,950)	\$ 15,586	\$ 146

We utilize an income approach to value our Level 3 enhanced swaps, costless collars and three-way collars. We obtain and ensure the appropriateness of the significant inputs to the calculations, including contractual prices for the underlying instruments, maturity, forward prices for commodities, interest rates, volatility factors and credit worthiness, and the fair value estimate is prepared and reviewed on a quarterly basis. The following table details fair value inputs related to implied volatilities utilized in the valuation of our Level 3 oil derivative contracts:

	Fair Value at 9/30/2014 (in thousands)	Valuation Technique	Unobservable Input	Range
Oil derivative contracts	\$ 22,295	Discounted cash flow / Black-Scholes	Volatility of Light Louisiana Sweet index for settlement periods beginning after January 1, 2015	14.7% – 23.8%

*Other Fair Value Measurements*

The carrying value of loans under our Bank Credit Agreement approximate fair value, as they are subject to short-term floating interest rates that approximate the rates available to us for those periods. We use a market approach to determine fair value of our fixed-rate long-term debt using observable market data. The fair values of our senior subordinated notes are based on quoted market prices. The estimated fair value of our total long-term debt as of September 30, 2014 and December 31, 2013, excluding pipeline financing and capital lease obligations, was \$3,177.3 million and \$2,956.8 million, respectively. We have other financial instruments consisting primarily of cash, cash equivalents, short-term receivables and payables that approximate fair value due to the nature of the instrument and the relatively short maturities.

**Note 7. Commitments and Contingencies**

We are involved in various lawsuits, claims and other regulatory proceedings incidental to our businesses. While we currently believe that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our financial position, results of operations or cash flows, litigation is subject to inherent uncertainties. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on our net income in the period in which the ruling occurs. We provide accruals for litigation and claims if we determine that a loss is probable and the amount can be reasonably estimated. We are also subject to audits for various taxes (income, sales and use, and severance) in the various states in which we operate, and from time to time receive assessments for potential taxes that we may owe.

**Denbury Resources Inc.**  
***Notes to Unaudited Condensed Consolidated Financial Statements***

*Delhi Field Release*

In June 2013, a release of well fluids, consisting of a mixture of carbon dioxide, saltwater, natural gas and oil, was discovered (and reported) within an area of the Denbury-operated Delhi Field located in northern Louisiana. We completed our remediation efforts with respect to such release during the fourth quarter of 2013; however, we continue to monitor the impacted area to confirm the effectiveness of the remediation efforts. During the three months ended September 30, 2014, we recorded an additional \$14.0 million of lease operating expenses related to this release and its remediation in our Unaudited Condensed Consolidated Statement of Operations, which brings our total cost estimate to date with respect to these expenses to \$128.0 million, of which we have incurred \$112.5 million. This quarter's \$14.0 million of additional charges primarily consist of our actual or estimated expenses related to third-party property and commercial damage claims that have been asserted recently in connection with the release, which are expected to be recoverable under our insurance policies.

We maintain insurance policies to cover certain costs, damages and claims related to releases of well fluids and remediation. We received a \$25.0 million cost reimbursement (\$23.9 million net to Denbury) in October 2014 relative to the Delhi Field release and remediation from our insurance carrier providing the first layer of our excess insurance coverage, representing approximately 20% of our total incident costs of \$128.0 million. Based on the probability of collection under our insurance policies as of September 30, 2014 and our receipt of the insurance reimbursement in October 2014, the insurance reimbursement was recognized as a reduction to lease operating expenses in our Unaudited Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2014. We have not reached any agreement with our remaining carriers as to further reimbursements. However, we continue to believe that under our policies we are entitled to reimbursement of certain costs estimated to range between approximately one-third and two-thirds of our total costs, and thus we are continuing to pursue further reimbursements. Any future insurance recoveries will be recognized in our financial statements during the period received or at the time such receipt and the amount thereof is determined to be virtually certain.

**Note 8. Subsequent Event**

**Dividend Declaration**

On October 28, 2014, the Board of Directors declared a dividend of \$0.0625 per share on our common stock, payable on December 30, 2014, to stockholders of record at the close of business on November 25, 2014.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis should be read in conjunction with our Unaudited Condensed Consolidated Financial Statements and Notes thereto included herein and our Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013 (the "Form 10-K"), along with *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in the Form 10-K. Any terms used but not defined herein have the same meaning given to them in the Form 10-K. Our discussion and analysis includes forward-looking information that involves risks and uncertainties and should be read in conjunction with *Risk Factors* under Item 1A of Part II of this report, along with *Forward-Looking Information* at the end of this section for information on the risks and uncertainties that could cause our actual results to be materially different than our forward-looking statements.

**OVERVIEW**

Denbury is a growing, dividend-paying, domestic oil and natural gas company. Our primary focus is on enhanced oil recovery utilizing CO<sub>2</sub>, and our operations are focused in two key operating areas: the Gulf Coast and Rocky Mountain regions. Our goal is to increase the value of acquired properties through a combination of exploitation, drilling and proven engineering extraction practices, with the most significant emphasis relating to tertiary recovery operations.

**Oil Price Volatility.** Although oil prices have historically been volatile, during the third quarter of 2014 and continuing in October 2014, oil prices dropped rapidly, with NYMEX prices ranging from \$107 per Bbl late in the second quarter of 2014 to less than \$80 per Bbl in early November 2014. Over the last five years, NYMEX oil prices have ranged between \$68 per Bbl and \$114 per Bbl. To provide greater certainty to the range of anticipated operating cash flows as we transitioned to a dividend-paying company, for 2014 we have utilized more fixed-price swaps in our commodity price hedging than in prior periods. Fixed-price swaps provide greater certainty of the price realized on oil sales, especially during periods of severe oil price fluctuations, as compared to other derivative instruments such as collars, which have a floor (minimum price realized) and ceiling price (maximum price realized) and thus expose us to commodity price risk as those prices approach either the floor or ceiling of the collar. For the fourth quarter of 2014, we have fixed-price swaps covering a substantial portion (58,000 Bbls/d, which amounts to approximately 80% of our oil production levels during the third quarter of 2014) of our anticipated oil production at a weighted average settlement price of \$92.52. Based on our fourth quarter production forecast, and the pricing certainty these fixed-price swaps provide on a substantial portion of our remaining anticipated 2014 production, together with oil and natural gas commodity futures prices in early November 2014, we believe our 2014 cash flow from operations should be adequate to cover both our remaining 2014 capital budget and December 2014 dividend payments.

We have entered into a combination of enhanced swaps, collars, and three-way collars covering a total of 58,000 Bbls/d for the first three quarters of 2015 and 38,000 Bbls/d for the fourth quarter of 2015. Because roughly half of these 2015 derivative contracts are collars and three-way collars, the range of potential cash flows from operations in 2015 is wider than our 2014 range using fixed-price swaps. These 2015 collars and three-way collars, which include both NYMEX and LLS hedges, have a weighted average floor price of approximately \$82 per Bbl (approximately \$80 and \$86 for NYMEX and LLS hedges, respectively) and a weighted average ceiling price of approximately \$97 per Bbl (approximately \$96 and \$101 for NYMEX and LLS hedges, respectively). We generally intend to fund our capital expenditures and dividend payments with cash flows from operations, although there could be some incremental cash generated or borrowings required in any given year. At our annual analyst day in mid-November 2014, we will expand upon our 2015 plans, including our production and capital expenditure estimates and our planned dividend rate for 2015.

**Operating Highlights.** During the third quarter of 2014, we recognized net income of \$268.7 million, or \$0.77 per diluted common share, compared to net income of \$102.1 million, or \$0.28 per diluted common share, during the third quarter of 2013. The higher income between the comparative third quarters was principally due to the fluctuation in our commodity derivatives expense (income), as we realized income in the current period and expense in the prior-year period resulting in a \$332.7 million (pretax) change between the two periods (principally due to a \$357.0 million noncash increase in the fair value of our derivatives). The higher income in the most recent period is further impacted by a \$25.8 million (pretax) decrease in lease operating expenses, as the prior-year period included Delhi remediation charges of \$28.0 million (pretax), compared to a net reduction of lease operating expenses of \$9.9 million (pretax) in the current-year period due primarily to insurance recoveries related to the same remediation.

**Denbury Resources Inc.**

***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Partially offsetting these favorable items was a \$44.8 million (pretax) decrease in oil, natural gas, and related product sales driven by an 11% decrease in our realized oil prices between the two periods.

During the third quarter of 2014, our oil and natural gas production, which was 96% oil, averaged 73,810 BOE/d compared to 71,531 BOE/d produced during the third quarter of 2013. This 3% increase in production is attributable to an 11% increase in our tertiary oil production, to a Company quarterly record of 41,627 Bbls/d, offset by a 5% decline in production from our non-tertiary properties.

Our average realized oil price per barrel during the third quarter of 2014, excluding the impact of commodity derivative contracts, decreased to \$94.78 per Bbl compared to \$105.91 per Bbl realized during the third quarter of 2013 and \$100.04 per Bbl realized during the second quarter of 2014. The actual oil price we realized relative to NYMEX oil prices (our NYMEX oil price differential) was \$2.53 per Bbl below NYMEX prices in the third quarter of 2014, compared to a negative \$0.03 per Bbl NYMEX differential in the third quarter of 2013, and a negative \$3.03 per Bbl NYMEX differential in the second quarter of 2014. This decline in our oil price differential in comparison to its level in the third quarter of 2013 was driven by a decrease in the Light Louisiana Sweet index premium and increase in the Rocky Mountain region discount relative to NYMEX oil prices.

As a result of rising oil prices throughout the first half of 2014, we paid \$25.0 million on our crude oil fixed-price swap contracts that settled during the third quarter of 2014, lowering our realized oil price noted above by \$3.86 per Bbl. Based on current futures prices as of November 3, 2014, and the fixed-price swaps that we have in place for the remainder of 2014, we currently expect that we will receive settlements from these contracts, the amount of which is dependent upon fluctuations in future NYMEX prices in relation to the fixed prices of our swaps, which have a weighted average settlement price of \$92.52 per Bbl for the fourth quarter of 2014.

In recent years, and particularly during 2013, we have experienced gradually rising costs. As a result, one of our primary focuses in 2014 has been to reduce costs throughout the organization, through a number of internal initiatives underway. Our cost reduction initiatives have identified many cost-saving opportunities that have started to show up in our results and which we expect will continue to reduce expenses in the future. For example, excluding Delhi remediation costs and insurance reimbursements and unplanned Riley Ridge well workovers, our lease operating expense per BOE decreased each sequential quarter in 2014 and decreased a total of 12% between the fourth quarter of 2013 and the third quarter of 2014. Our goal is to continue to reduce both capital project costs and per-barrel operating costs in the future.

**April 2014 Debt Refinancing.** On April 30, 2014, we issued \$1.25 billion of 5½% Senior Subordinated Notes due 2022 (the "5½% Notes"). The net proceeds of \$1.23 billion were used to repurchase and redeem our outstanding 8¼% Senior Subordinated Notes due 2020 (the "8¼% Notes"), which were issued in 2010, and to pay down approximately \$150 million of outstanding borrowings on our bank credit facility. Also on April 30, 2014, we (1) completed a cash tender offer for our 8¼% Notes in which we purchased a total of \$815.2 million principal amount of these notes; and (2) issued a notice of redemption and fully funded the redemption of all of the remaining outstanding 8¼% Notes (\$181.1 million principal amount) at a price paid by the Trustee on the May 30, 2014 redemption date equal to 100% of their principal amount plus the required make-whole premium and accrued interest up to the redemption date. This refinancing reduces our interest on a principal balance equal to that of the 8¼% Notes by over \$27 million per year; however, after factoring in the incremental subordinated debt we issued and the higher interest rate on subordinated debt versus bank debt, our net annual interest savings are estimated at approximately \$17 million. Due to the refinancing, we recognized a loss on extinguishment of debt of \$113.9 million (principally related to the tender or redemption premium on the 8¼% Notes repurchased) during the second quarter of 2014.

## **CAPITAL RESOURCES AND LIQUIDITY**

**Overview.** Our primary sources of capital and liquidity are our cash flows from operations and availability for borrowings under our bank credit facility. Our business is capital intensive, and it is common for oil and natural gas companies our size to reinvest most or all of their cash flow into developing new assets. We generally attempt to balance our capital expenditures and dividends with cash flows from operations. During the nine months ended September 30, 2014, we spent a combined \$828.8 million on capital expenditures and dividends while generating \$885.1 million of cash flows from operations. Due in part to this surplus, we reduced the amount borrowed on our bank credit facility to \$410.0 million as of September 30, 2014 from \$445.0 million as of June 30, 2014.

We project that we will have more than adequate capital resources and liquidity for the foreseeable future because (1) we have significant borrowing capacity on our bank line; (2) we have oil hedges in place for a significant portion of our forecasted proven oil production through the first half of 2016 (see Note 5, *Commodity Derivative Contracts*, to the Unaudited Condensed Consolidated Financial Statements for further details regarding the prices and volumes of our commodity derivative contracts); (3) generally, we plan to fund both our projected capital expenditures and dividends with cash flow from operations, which means that our expected growth in production and cash flow will gradually reduce our leverage (assuming oil prices are relatively consistent with current levels); (4) we can significantly reduce our capital expenditures for extended periods of time if necessary, due to lower cash flows or share repurchases, and still maintain current production levels as a result of the unique characteristics of CO<sub>2</sub> EOR operations; and (5) the maturity dates of all but a minor amount of our senior subordinated notes extend eight years or more, including the new 5½% Notes issued in connection with the April 2014 debt refinancing (discussed above), and carry attractive fixed interest rates ranging between 4½% and 6¾%.

**2014 Capital Spending.** We anticipate that our full-year 2014 capital budget, excluding any acquisitions, will be \$1.0 billion, plus approximately \$100 million in capitalized internal acquisition, exploration and development costs; capitalized interest; and pre-production startup costs associated with new tertiary floods. This combined 2014 capital expenditure amount of \$1.1 billion, excluding acquisitions, is comprised of the following:

- \$680 million allocated for tertiary oil field expenditures;
- \$220 million allocated for other areas, primarily non-tertiary oil field expenditures;
- \$60 million for pipeline construction;
- \$40 million to be spent on CO<sub>2</sub> sources; and
- \$100 million for other capital items such as capitalized internal acquisition, exploration and development costs; capitalized interest; and pre-production startup costs associated with new tertiary floods.

During the nine months ended September 30, 2014, we incurred capital expenditures of \$761.9 million, excluding acquisitions. See additional detail on our expenditures in the *Capital Expenditure Summary* below. Based on our current level of spending, our 2014 capital expenditures could be slightly below our total budget of \$1.1 billion.

Based on our fourth quarter production forecast, and our fixed-price swaps which cover a substantial portion of our remaining anticipated 2014 production, together with oil and natural gas commodity futures prices in early November 2014, we believe our 2014 cash flow from operations should be adequate to cover both our 2014 capital budget and December 2014 dividend payments. If prices were to further decrease in a substantial way, or changes in operating results were to cause us to have a significant reduction in fourth quarter 2014 cash flows, we have ample availability on our bank credit facility to cover any potential shortfall, and we also have the ability to reduce our capital expenditures. If we elect to significantly reduce our capital spending, such a reduction could lower our future anticipated production levels. For 2014 and some future years, we have contracted for certain capital expenditures; therefore, we cannot eliminate all of our capital commitments without penalties (refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Liquidity – Commitments and Obligations* in the Form 10-K).

**Stock Repurchase Program.** Our Board of Directors has approved a common share repurchase program for up to \$1.162 billion of Denbury common stock. As of November 7, 2014, we had spent \$940.0 million to repurchase 60.0 million shares of our common stock under this program (approximately 14.9% of our outstanding shares at September 30, 2011), leaving us with \$221.9 million available for future purchases. As of November 7, 2014 (the date of this filing), our most recent purchases under the plan occurred in January and February 2014, when we repurchased \$200.4 million of our common stock, which we have funded with incremental borrowings and excess cash flow from operations. Our share repurchases are based on various parameters including, but not limited to, the price of our common stock, oil prices, free cash flow, our leverage or other funding sources available to us. Therefore, future repurchases may be at a level less than the remaining approved balance under the program, for which there is no set expiration date. We anticipate that any additional repurchases during the remainder of 2014 will be primarily funded with excess cash flow from operations, borrowings under our bank credit facility, or from a reduction in capital spending. See Note 4, *Stockholders' Equity*, to the Unaudited Condensed Consolidated Financial Statements for further discussion.

**Denbury Resources Inc.**

***Management's Discussion and Analysis of Financial Condition and Results of Operations***

**Dividends.** In each of the first three quarters of 2014, we paid common stockholders a quarterly cash dividend of \$0.0625 per common share, or aggregate dividends of \$65.2 million, and our Board of Directors has declared a dividend of \$0.0625 per share on our common stock for the fourth quarter, which results in an annual dividend rate of \$0.25 per share for 2014. We currently expect this to result in total dividend payments of approximately \$87 million to our stockholders in 2014. The declaration and payment of future dividends is at the discretion of our Board of Directors, and the amount thereof will depend on our results of operations, financial condition, capital requirements, level of indebtedness, and other factors deemed relevant by the Board of Directors.

**Insurance Recoveries to Cover Costs of 2013 Delhi Field Release.** We completed our remediation efforts related to the release of well fluids at the Denbury-operated Delhi Field during the fourth quarter of 2013. During the three months ended September 30, 2014, we recorded an additional \$14.0 million of lease operating expenses related to this release and its remediation in our Unaudited Condensed Consolidated Statement of Operations, which brings our total cost estimate to date with respect to these expenses to \$128.0 million, of which we have incurred \$112.5 million. This quarter's \$14.0 million of additional charges primarily consist of our actual or estimated expenses related to third-party property and commercial damage claims that have been asserted recently in connection with the release, which are expected to be recoverable under our insurance policies.

We maintain insurance policies to cover certain costs, damages and claims related to releases of well fluids and remediation. We received a \$25.0 million cost reimbursement (\$23.9 million net to Denbury) in October 2014 relative to the Delhi Field release and remediation from our insurance carrier providing the first layer of our excess insurance coverage, representing approximately 20% of our total incident costs of \$128.0 million. Based on the probability of collection under our insurance policies as of September 30, 2014 and our receipt of the insurance reimbursement in October 2014, the insurance reimbursement was recognized as a reduction to lease operating expenses in our Unaudited Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2014. We have not reached any agreement with our remaining carriers as to further reimbursements. However, we continue to believe that under our policies we are entitled to reimbursement of certain costs estimated to range between approximately one-third and two-thirds of our total costs, and thus we are continuing to pursue further reimbursements. Any future insurance recoveries will be recognized in our financial statements during the period received or at the time such receipt and the amount thereof is determined to be virtually certain.

**Bank Credit Facility.** We have a \$1.6 billion bank credit facility that is secured by substantially all of our oil and natural gas properties. Our borrowing base for our bank credit facility was reaffirmed at \$1.6 billion in connection with our last semiannual review completed in May 2014. Our next semiannual review is currently in process, through which we do not anticipate any reduction in our current borrowing base and we believe, based on current commodity prices and our proved reserves, that we could obtain lender approval to significantly increase the borrowing base under our bank credit facility above the current \$1.6 billion level if we desired to do so. As of September 30, 2014, we had availability of \$1.2 billion with respect to such borrowing base, leaving us significant liquidity to fund capital expenditures and future dividends.

## Table of Contents

### Denbury Resources Inc.

#### *Management's Discussion and Analysis of Financial Condition and Results of Operations*

**Capital Expenditure Summary.** The following table of capital expenditures includes accrued capital for the nine months ended September 30, 2014 and 2013:

<i>In thousands</i>	Nine Months Ended	
	September 30,	
	2014	2013
Capital expenditures by project		
Tertiary oil fields	\$ 442,810	\$ 428,373
Non-tertiary fields	186,708	136,796
Capitalized interest and internal costs <sup>(1)</sup>	67,437	89,200
Oil and natural gas capital expenditures	696,955	654,369
CO <sub>2</sub> pipelines	24,612	39,363
CO <sub>2</sub> sources <sup>(2)</sup>	37,502	114,240
CO <sub>2</sub> capitalized interest and other	2,831	35,200
<b>Capital expenditures, before acquisitions</b>	<b>761,900</b>	<b>843,172</b>
Property acquisitions <sup>(3)</sup>	1,683	1,062,607
<b>Capital expenditures, total</b>	<b>\$ 763,583</b>	<b>\$ 1,905,779</b>

- (1) Includes capitalized internal acquisition, exploration and development costs; capitalized interest; and pre-production startup costs associated with new tertiary floods.
- (2) Includes capital expenditures related to the Riley Ridge gas processing facility.
- (3) Property acquisitions during the nine months ended September 30, 2013 include capital expenditures of approximately \$1.1 billion related to acquisitions during that period that are not reflected as an Investing Activity on our Unaudited Condensed Consolidated Statements of Cash Flows due to the movement of proceeds through a qualified intermediary to facilitate like-kind-exchange treatment under federal income tax rules.

For the first nine months of 2014, our capital expenditures were fully funded with cash flow from operations. For the first nine months of 2013, our capital expenditures, other than those for property acquisitions, were fully funded with cash flow from operations, and our property acquisitions were funded with proceeds from the 2012 Bakken exchange transaction.

**Off-Balance Sheet Arrangements.** Our off-balance sheet arrangements include operating leases for office space and various obligations for development and exploratory expenditures that arise from our normal capital expenditure program or from other transactions common to our industry, none of which are recorded on our balance sheet. In addition, in order to recover our undeveloped proved reserves, we must also fund the associated future development costs estimated in our proved reserve reports.

Our commitments and obligations consist of those detailed as of December 31, 2013 in our Form 10-K under *Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Resources and Liquidity – Commitments and Obligations*, together with those changes described in the *April 2014 Debt Refinancing* section above. See Note 7, *Commitments and Contingencies*, to the Unaudited Condensed Consolidated Financial Statements for further discussion.

## RESULTS OF OPERATIONS

Our tertiary operations represent a significant portion of our overall operations and are our primary long-term strategic focus. The economics of a tertiary field and the related impact on our financial statements differ from a conventional oil and gas play, and we have outlined certain of these differences in our Form 10-K and other public disclosures. Our focus on these types of operations impacts certain trends in both current and long-term operating results. Please refer to *Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Overview of Tertiary Operations* in our Form 10-K for further information regarding these matters.

[Table of Contents](#)

**Denbury Resources Inc.**  
**Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Operating Results Table**

Certain of our operating results and statistics for the comparative three and nine months ended September 30, 2014 and 2013 are included in the following table:

<i>In thousands, except per share and unit data</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
<b>Operating results</b>				
Net income	\$ 268,748	\$ 102,054	\$ 271,858	\$ 319,605
Net income per common share – basic	0.77	0.28	0.78	0.87
Net income per common share – diluted	0.77	0.28	0.77	0.86
Net cash provided by operating activities	340,392	305,465	885,097	1,012,209
<b>Average daily production volumes</b>				
Bbls/d	70,619	67,705	70,504	65,755
Mcf/d	19,147	22,957	22,671	24,451
BOE/d <sup>(1)</sup>	73,810	71,531	74,283	69,830
<b>Operating revenues</b>				
Oil sales	\$ 615,745	\$ 659,674	\$ 1,876,524	\$ 1,855,006
Natural gas sales	6,260	7,129	26,356	23,638
Total oil and natural gas sales	<u>\$ 622,005</u>	<u>\$ 666,803</u>	<u>\$ 1,902,880</u>	<u>\$ 1,878,644</u>
<b>Commodity derivative contracts <sup>(2)</sup></b>				
Payment on settlements of commodity derivatives	\$ (24,914)	\$ (662)	\$ (102,255)	\$ (662)
Noncash fair value adjustments on commodity derivatives <sup>(3)</sup>	277,179	(79,784)	103,080	(46,212)
Commodity derivatives income (expense)	<u>\$ 252,265</u>	<u>\$ (80,446)</u>	<u>\$ 825</u>	<u>\$ (46,874)</u>
<b>Unit prices – excluding impact of derivative settlements</b>				
Oil price per Bbl	\$ 94.78	\$ 105.91	\$ 97.49	\$ 103.34
Natural gas price per Mcf	3.55	3.38	4.26	3.54
<b>Unit prices – including impact of derivative settlements <sup>(2)</sup></b>				
Oil price per Bbl	\$ 90.92	\$ 105.80	\$ 92.22	\$ 103.30
Natural gas price per Mcf	3.61	3.38	4.13	3.54
<b>Oil and natural gas operating expenses</b>				
Lease operating expenses <sup>(4)</sup>	\$ 155,198	\$ 180,967	\$ 488,827	\$ 542,067
Marketing expenses, net of third-party purchases, and plant operating expenses	11,082	9,123	36,869	27,647
Production and ad valorem taxes	36,279	46,073	126,213	122,542
<b>Oil and natural gas operating revenues and expenses per BOE</b>				
Oil and natural gas revenues	\$ 91.60	\$ 101.32	\$ 93.83	\$ 98.55
Lease operating expenses <sup>(4)</sup>	22.86	27.50	24.10	28.43
Marketing expenses, net of third-party purchases, and plant operating expenses	1.63	1.39	1.82	1.45
Production and ad valorem taxes	5.34	7.00	6.22	6.43
<b>CO<sub>2</sub> sources and helium – revenues and expenses</b>				
CO <sub>2</sub> and helium sales and transportation fees	\$ 11,378	\$ 6,739	\$ 33,961	\$ 19,859
CO <sub>2</sub> and helium discovery and operating expenses	(11,434)	(4,120)	(22,229)	(11,261)
CO <sub>2</sub> and helium revenue and expenses, net	<u>\$ (56)</u>	<u>\$ 2,619</u>	<u>\$ 11,732</u>	<u>\$ 8,598</u>

## Table of Contents

### Denbury Resources Inc.

#### *Management's Discussion and Analysis of Financial Condition and Results of Operations*

- (1) Barrel of oil equivalent using the ratio of one barrel of oil to six Mcf of natural gas ("BOE").
- (2) See also *Commodity Derivative Contracts* below and *Item 3. Quantitative and Qualitative Disclosures about Market Risk* for information concerning our derivative transactions.
- (3) Noncash fair value adjustments on commodity derivatives is a non-GAAP measure and is different from "Commodity derivatives expense (income)" in the Unaudited Condensed Consolidated Statements of Operations in that the noncash fair value adjustments on commodity derivatives represents only the net change between periods of the fair market values of commodity derivative positions, and excludes the impact of settlements on commodity derivatives during the period, which were payments on settlements of \$24.9 million and \$102.3 million for the three and nine months ended September 30, 2014, respectively, and payments on settlements of \$0.7 million for the three and nine months ended September 30, 2013. We believe that noncash fair value adjustments on commodity derivatives is a useful supplemental disclosure to "Commodity derivatives expense (income)" in order to differentiate noncash fair market value adjustments from settlements on commodity derivatives during the period. This supplemental disclosure is widely used within the industry and by securities analysts, banks and credit rating agencies in calculating EBITDA and in adjusting net income to present those measures on a comparative basis across companies, as well as to assess compliance with certain debt covenants. Noncash fair value adjustments on commodity derivatives is not a measure of financial or operating performance under GAAP, nor should it be considered in isolation or as a substitute for "Commodity derivatives expense (income)" in the Unaudited Condensed Consolidated Statements of Operations.
- (4) If lease operating expenses and related insurance recoveries recorded to remediate an area of Delhi Field (see *Capital Resources and Liquidity – Insurance Recoveries to Cover Costs of 2013 Delhi Field Release* above) were excluded, lease operating expenses would have totaled \$165.1 million and \$498.7 million for the three and nine months ended September 30, 2014, respectively, and \$153.0 million and \$444.1 million for the three and nine months ended September 30, 2013, respectively. Lease operating expense per BOE would have averaged \$24.32 and \$24.59 for the three and nine months ended September 30, 2014, respectively, and \$23.24 and \$23.29 for the three and nine months ended September 30, 2013, respectively.

[Table of Contents](#)

**Denbury Resources Inc.**  
*Management's Discussion and Analysis of Financial Condition and Results of Operations*

**Production**

Average daily production by area for each of the four quarters of 2013 and for the first, second, and third quarters of 2014 is shown below:

<i>Operating Area</i>	Average Daily Production (BOE/d)						
	First Quarter 2013	Second Quarter 2013	Third Quarter 2013	Fourth Quarter 2013	First Quarter 2014	Second Quarter 2014	Third Quarter 2014
<b>Tertiary oil production</b>							
<b><i>Gulf Coast region</i></b>							
Mature properties:							
Brookhaven	2,305	2,339	2,224	2,026	1,877	1,818	1,767
Eucutta	2,636	2,642	2,504	2,280	2,181	2,150	2,224
Mallalieu	2,116	2,157	2,042	1,886	1,837	1,839	1,869
Other mature properties <sup>(1)</sup>	7,800	7,233	6,761	6,287	6,283	6,156	6,189
Total mature properties	14,857	14,371	13,531	12,479	12,178	11,963	12,049
Delhi	5,827	5,479	4,517	4,793	4,708	4,543	4,377
Hastings	3,956	4,010	3,699	4,270	4,618	4,759	4,917
Heidelberg	3,943	4,149	4,553	5,206	5,325	5,609	5,721
Oyster Bayou	2,252	2,518	3,213	3,869	4,055	4,415	4,605
Tinsley	8,222	8,225	7,951	7,809	8,430	8,518	8,310
Total Gulf Coast region	39,057	38,752	37,464	38,426	39,314	39,807	39,979
<b><i>Rocky Mountain region</i></b>							
Bell Creek	—	—	49	177	578	1,090	1,648
Total Rocky Mountain region	—	—	49	177	578	1,090	1,648
Total tertiary oil production	39,057	38,752	37,513	38,603	39,892	40,897	41,627
<b>Non-tertiary oil and gas production</b>							
<b><i>Gulf Coast region</i></b>							
Mississippi	3,013	2,367	2,692	2,711	2,513	2,319	2,346
Texas	6,692	6,932	6,548	5,994	6,444	6,508	5,537
Other	1,153	1,108	1,087	1,041	1,031	1,049	1,083
Total Gulf Coast region	10,858	10,407	10,327	9,746	9,988	9,876	8,966
<b><i>Rocky Mountain region</i></b>							
Cedar Creek Anticline <sup>(2)</sup>	8,745	19,935	18,872	18,601	19,007	19,155	18,623
Other	5,163	4,958	4,819	4,516	4,831	5,392	4,594
Total Rocky Mountain region	13,908	24,893	23,691	23,117	23,838	24,547	23,217
Total non-tertiary production	24,766	35,300	34,018	32,863	33,826	34,423	32,183
<b>Total production</b>	<b>63,823</b>	<b>74,052</b>	<b>71,531</b>	<b>71,466</b>	<b>73,718</b>	<b>75,320</b>	<b>73,810</b>

(1) Other mature properties include Cranfield, Little Creek, Lockhart Crossing, Martinville, McComb and Soso fields.

(2) Beginning March 27, 2013, amounts include production from our purchase of additional interests in Cedar Creek Anticline ("CCA") on that date.

*Total Production*

Total production during the third quarter of 2014 averaged 73,810 BOE/d, an increase of 2,279 BOE/d (3%) compared to the third quarter of 2013 production levels and a decrease of 1,510 BOE/d (2%) compared to the second quarter of 2014 production levels. The change between the comparative third quarters was primarily a result of production increases from our tertiary oil fields, partially offset by interruption of non-tertiary production at CCA and Conroe fields during the current quarter and normal declines in our production at other non-tertiary fields, and the change comparing the sequential quarters of 2014 was also a result of these non-tertiary production decreases, partially offset by increases in our tertiary production at Bell Creek Field in our Rocky Mountain region. On a year-to-date basis, total production increased 4,453 BOE/d (6%) between the first nine months of 2013 and 2014, due primarily to the timing of the 2013 purchase of additional interests in CCA which closed in late March 2013, as well as production increases from our tertiary oil fields. Our production during the three and nine months ended September 30, 2014 was 96% and 95% oil, respectively, consistent with oil production of 95% and 94% during the three and nine months ended September 30, 2013.

*Tertiary Production*

We achieved record quarterly tertiary production during the third quarter of 2014, with average production of 41,627 Bbls/d. Third quarter of 2014 tertiary production increased 4,114 Bbls/d (11%) compared to tertiary production levels in the same period in 2013 and increased 730 Bbls/d (2%) when comparing tertiary production between the second and third quarters of 2014. These year-over-year and sequential-quarter increases were primarily due to production growth in response to continued field development and expansion of facilities in the tertiary floods at Hastings, Heidelberg and Oyster Bayou fields. In addition, tertiary production at Bell Creek Field has increased each quarter since its first tertiary production during the third quarter of 2013. We currently expect these same fields to drive additional tertiary production growth in the fourth quarter of 2014. The year-over-year increase was partially offset by normal declines in our mature tertiary fields, as well as the mid-2013 incident at Delhi Field. Under calculations based upon preliminary October 2014 Delhi operational information, it appears that "payout" (as defined in the agreements under which we purchased our Delhi Field interests) may have been achieved as of October 31, 2014, which under a reversionary interest could reduce our share of Delhi Field production by approximately 25% starting November 1, 2014, although several matters remain in dispute concerning the "payout" calculation, the reversionary interest and other issues that could ultimately affect the calculation and timing of "payout" and the Delhi Field seller's reversionary interest. Our mature tertiary properties are generally on decline with an average annual rate of approximately 12% during 2013. However, production from our mature tertiary properties has remained steady at approximately 12,000 Bbls/d thus far in 2014 as a result of continued optimization work.

*Non-Tertiary Production*

Production from our non-tertiary operations averaged 32,183 BOE/d during the third quarter of 2014, a decrease of 1,835 BOE/d (5%) compared to the third quarter of 2013 levels, and a sequential decrease of 2,240 BOE/d (7%) when compared to the second quarter of 2014 levels. These decreases were primarily due to unplanned downtime at various non-tertiary properties during the third quarter of 2014, principally at CCA in the Rocky Mountain region and Conroe Field in the Gulf Coast region. CCA production was negatively impacted by an electrical panel failure causing a water injection facility to be offline for approximately two months and Conroe Field production was reduced by downtime of a third-party processing plant for most of the quarter. The interruptions at CCA and Conroe fields resulted in non-tertiary production decreases of approximately 500 BOE/d and 800 BOE/d, respectively, during the third quarter of 2014. At Conroe Field, the third-party processing plant was returned to service, and the impacted production resumed late in the third quarter. At CCA, the electrical panel was repaired and water injection facility placed back in service late in the third quarter, which should allow for gradual production growth at the field during the fourth quarter. Additionally, natural gas production from Riley Ridge was negligible during the third quarter of 2014 due to continued unplanned downtime as a result of, among other things, design, equipment, machinery and mechanical well failures. We currently expect natural gas production at Riley Ridge will continue to be shut-in due to mechanical supply well failures until late-2015; however, we expect the near-term impact upon our operating cash flows to be minimal. Production from our other non-tertiary properties is generally on decline, and in some instances the decline is pronounced when non-tertiary wells are shut in as part of an initiation or expansion of our tertiary floods in a field or an area of a field.

[Table of Contents](#)

**Denbury Resources Inc.**

*Management's Discussion and Analysis of Financial Condition and Results of Operations*

**Oil and Natural Gas Revenues**

Our oil and natural gas revenues decreased 7% during the three months ended September 30, 2014 and increased 1% during the nine months ended September 30, 2014 compared to these revenues for the same periods in 2013. The changes in our oil and natural gas revenues are due to changes in production quantities and commodity prices (excluding any impact of our commodity derivative contracts), as reflected in the following table:

	Three Months Ended		Nine Months Ended	
	September 30, 2014 vs. 2013		September 30, 2014 vs. 2013	
<i>In thousands</i>	Increase (Decrease) in Revenues	Percentage Increase (Decrease) in Revenues	Increase (Decrease) in Revenues	Percentage Increase (Decrease) in Revenues
<b>Change in oil and natural gas revenues due to:</b>				
Increase in production	\$ 21,240	3 %	\$ 119,784	6 %
Decrease in commodity prices	(66,038)	(10)%	(95,548)	(5)%
Total increase (decrease) in oil and natural gas revenues	<u>\$ (44,798)</u>	<u>(7)%</u>	<u>\$ 24,236</u>	<u>1 %</u>

Excluding any impact of our commodity derivative contracts, our net realized commodity prices and NYMEX differentials were as follows during the first, second, and third quarters and the nine months ended September 30, 2014 and 2013:

	Three Months Ended		Three Months Ended		Three Months Ended		Nine Months Ended	
	March 31,		June 30,		September 30,		September 30,	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Net realized prices:</b>								
Oil price per Bbl	\$ 97.69	\$ 105.59	\$ 100.04	\$ 98.92	\$ 94.78	\$ 105.91	\$ 97.49	\$ 103.34
Natural gas price per Mcf	4.71	3.28	4.39	3.96	3.55	3.38	4.26	3.54
Price per BOE	94.03	99.87	95.86	94.70	91.60	101.32	93.83	98.55
<b>NYMEX differentials:</b>								
Oil per Bbl	\$ (0.91)	\$ 11.17	\$ (3.03)	\$ 4.78	\$ (2.53)	\$ (0.03)	\$ (2.16)	\$ 5.13
Natural gas per Mcf	(0.02)	(0.21)	(0.19)	(0.05)	(0.40)	(0.18)	(0.16)	(0.15)

As reflected in the table above, our average net realized oil price, excluding the impact of commodity derivative contracts, decreased 11% during the third quarter of 2014 from the average price received during the third quarter of 2013. Company-wide oil price differentials in the third quarter of 2014 were \$2.53 below NYMEX, compared to an average differential of \$0.03 below NYMEX in the third quarter of 2013. During the third quarter of 2014, we sold approximately 43% of our crude oil at prices based on the Light Louisiana Sweet ("LLS") index price, approximately 23% at prices partially tied to the LLS index price, and the balance at prices based on various other indexes tied to NYMEX prices, primarily in the Rocky Mountain region. These percentages were consistent with those realized during the third quarter of 2013. The net oil differential we received was primarily impacted by positive differentials in the Gulf Coast region, offset by negative differentials in the Rocky Mountain region, each of which is discussed in further detail below.

Our average NYMEX oil differential in the Gulf Coast region was a positive \$2.15 per Bbl and \$3.42 per Bbl during the three months ended September 30, 2014 and 2013, respectively, and a positive \$0.73 per Bbl during the three months ended June 30, 2014. These differentials are impacted significantly by the changes in prices received for our crude oil sold under LLS index prices relative to the change in NYMEX prices. This LLS-to-NYMEX differential declined from a positive \$6.59 per Bbl average differential on a trade-month basis in the third quarter of 2013 to a positive \$2.90 per Bbl in the second quarter of 2014 and a

[Table of Contents](#)

**Denbury Resources Inc.**

***Management's Discussion and Analysis of Financial Condition and Results of Operations***

positive \$3.41 per Bbl in the third quarter of 2014, with the two most recent quarters being more representative of longer-term historical differentials.

NYMEX oil differentials in the Rocky Mountain region averaged \$11.96 per Bbl and \$7.04 per Bbl below NYMEX during the three months ended September 30, 2014 and 2013, respectively, and \$10.54 per Bbl below NYMEX during the three months ended June 30, 2014. Differentials in the Rocky Mountain region can move significantly over short periods of time due to refinery and transportation issues.

Prices received in a regional market fluctuate frequently and can differ from NYMEX pricing due to a variety of reasons, including supply and/or demand factors and location differentials. Although we have seen the LLS and Rocky Mountain differentials improve somewhat in 2014 compared to the levels in the fourth quarter of 2013, we do not expect the LLS-to-NYMEX differential in the Gulf Coast region to return to the more favorable levels seen over the last few years due to the oil transportation capacity in that region that has been added, which allows more oil production access to the LLS market.

Our natural gas NYMEX differentials are generally caused by movement in the NYMEX natural gas prices during the month, as most of our natural gas is sold on an index price that is set near the first of each month. While the percentage change in NYMEX natural gas differentials can be quite large, the absolute impact of these changes on our results has historically been minor, as natural gas sales represented only approximately 1% of our oil and natural gas revenues during the nine months ended September 30, 2014.

***Commodity Derivative Contracts***

The following tables summarize the impact our oil and natural gas derivative contracts had on our operating results for the three and nine months ended September 30, 2014 and 2013:

<i>In thousands</i>	Three Months Ended September 30,							
	2014		2013		2014		2013	
	Crude Oil Derivative Contracts		Natural Gas Derivative Contracts		Total Commodity Derivative Contracts			
Receipt (payment) on settlements of commodity derivatives	\$ (25,016)	\$ (662)	\$ 102	\$ —	\$ (24,914)	\$ (662)		
Noncash fair value adjustments on commodity derivatives <sup>(1)</sup>	276,240	(79,784)	939	—	277,179	(79,784)		
<b>Total income (expense)</b>	<b>\$ 251,224</b>	<b>\$ (80,446)</b>	<b>\$ 1,041</b>	<b>\$ —</b>	<b>\$ 252,265</b>	<b>\$ (80,446)</b>		

<i>In thousands</i>	Nine Months Ended September 30,							
	2014		2013		2014		2013	
	Crude Oil Derivative Contracts		Natural Gas Derivative Contracts		Total Commodity Derivative Contracts			
Payment on settlements of commodity derivatives	\$ (101,470)	\$ (662)	\$ (785)	\$ —	\$ (102,255)	\$ (662)		
Noncash fair value adjustments on commodity derivatives <sup>(1)</sup>	102,521	(46,212)	559	—	103,080	(46,212)		
<b>Total income (expense)</b>	<b>\$ 1,051</b>	<b>\$ (46,874)</b>	<b>\$ (226)</b>	<b>\$ —</b>	<b>\$ 825</b>	<b>\$ (46,874)</b>		

(1) Noncash fair value adjustments on commodity derivatives is a non-GAAP measure. See *Operating Results Table* above for a discussion of the reconciliation between noncash fair value adjustments on commodity derivatives to "Commodity derivatives expense (income)" in the Unaudited Condensed Consolidated Statements of Operations.

To provide greater certainty to the range of our anticipated operating cash flows as we have transitioned to a dividend-paying entity, we entered into more fixed-price swaps for 2014 than we have historically. Prior to 2014, most of our derivative contracts

[Table of Contents](#)

## Denbury Resources Inc.

*Management's Discussion and Analysis of Financial Condition and Results of Operations*

were collars that had a floor and ceiling price that provided price protection at a lower level, but also a wider range of variability in operating cash flows than if we had used fixed-price swap contracts. In early 2014, our crude oil fixed-price swaps looked to be at or better than the futures prices for 2014, but as a result of rising oil prices throughout the first half of 2014, we paid out \$25.0 million and \$101.5 million during the three and nine months ended September 30, 2014, respectively. These settlements lowered our net realized oil price by \$3.86 per Bbl and \$5.27 per Bbl during the three and nine months ended September 30, 2014, respectively. Based on current futures prices as of November 3, 2014, which average roughly \$79 per Bbl for the remainder of 2014, and the fixed price swaps that we have in place for the remainder of 2014, we currently expect that we will receive settlements from these contracts, the amount of which is dependent upon fluctuations in future NYMEX prices in relation to the fixed prices of these swaps, which have a weighted average price of \$92.52 per Bbl for the fourth quarter of 2014.

Changes in the estimated fair value of our oil and natural gas derivative contracts are caused primarily by changes in commodity futures prices and the expiration of contracts. Because we do not utilize hedge accounting for our commodity derivative contracts, the period-to-period change in the estimated fair value of these contracts, as outlined above, is recognized in our statements of operations. The details of our outstanding commodity derivative contracts are included in Note 5, *Commodity Derivative Contracts*, to the Unaudited Condensed Consolidated Financial Statements. Also, see Item 3, *Quantitative and Qualitative Disclosures about Market Risk* below for additional discussion on our commodity derivative contracts.

**Production Expenses***Lease Operating Expense*

<i>In thousands, except per-BOE data</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
<b>Lease operating expense</b>				
Tertiary – excluding Delhi remediation	\$ 95,671	\$ 86,534	\$ 292,238	\$ 256,283
Tertiary – Delhi remediation	(9,906)	28,000	(9,906)	98,000
Non-tertiary	69,433	66,433	206,495	187,784
<b>Total lease operating expense</b>	<b>\$ 155,198</b>	<b>\$ 180,967</b>	<b>\$ 488,827</b>	<b>\$ 542,067</b>
<b>Lease operating expense per BOE</b>				
Tertiary – excluding Delhi remediation	\$ 24.98	\$ 25.08	\$ 26.23	\$ 24.42
Tertiary – Delhi remediation	(2.58)	8.11	(0.89)	9.34
Non-tertiary	23.45	21.23	22.60	21.91
<b>Total lease operating expense per BOE</b>	<b>22.86</b>	<b>27.50</b>	<b>24.10</b>	<b>28.43</b>

Total lease operating expenses during the three and nine months ended September 30, 2014 decreased from the comparable 2013 periods on an absolute-dollar and per-BOE basis primarily due to Delhi remediation charges of \$28.0 million and \$98.0 million during the three and nine months ended September 30, 2013, respectively, compared to a net reduction of lease operating expenses of \$9.9 million in the comparable 2014 periods. See *Capital Resources and Liquidity – Insurance Recoveries to Cover Costs of 2013 Delhi Field Release* above for further discussion of the Delhi remediation costs and insurance reimbursements. Excluding Delhi remediation costs and insurance reimbursements, total lease operating expenses increased \$12.1 million and \$54.7 million on an absolute-dollar basis and \$1.08 and \$1.30 on a per-BOE basis during the three and nine months ended September 30, 2014, respectively, compared to levels in the same periods in 2013. The increase during both periods include (1) an increase in workover costs at Riley Ridge, (2) higher power cost and usage, and (3) costs associated with the expansion of our CO<sub>2</sub> floods, including our newest tertiary flood at Bell Creek Field. The increase on an absolute-dollar basis during the nine-month period is also driven by our acquisition of additional interests in CCA, which were acquired in late March of 2013, resulting in only approximately six months of CCA expenses in the first nine months of 2013. Sequentially, excluding Delhi remediation costs and insurance reimbursements, lease operating expenses remained relatively flat on an absolute-dollar and per-BOE basis between the second and third quarters of 2014. However, we have seen many of our costs decline compared to those realized in the fourth

**Denbury Resources Inc.**

***Management's Discussion and Analysis of Financial Condition and Results of Operations***

quarter of 2013 and first quarter of 2014, with the decrease in workover costs the primary component of lease operating expense cost reduction. Excluding Delhi remediation costs and insurance reimbursements and unplanned Riley Ridge well workovers, our lease operating expense per BOE decreased each sequential quarter in 2014 and decreased a total of 12% between the fourth quarter of 2013 and the third quarter of 2014.

Tertiary lease operating expenses decreased 25% on an absolute-dollar basis and 33% on a per-BOE basis during the third quarter of 2014 compared to the third quarter of 2013, primarily due to Delhi remediation charges of \$28.0 million and \$98.0 million during the three and nine months ended September 30, 2013, respectively (see *Capital Resources and Liquidity – Insurance Recoveries to Cover Costs of 2013 Delhi Field Release* above), compared to a net reduction of lease operating expenses of \$9.9 million in the comparable 2014 periods. Excluding Delhi remediation costs and insurance reimbursements, tertiary lease operating expenses increased \$9.1 million and \$36.0 million on an absolute-dollar basis and decreased \$0.10 and increased \$1.81 on a per-BOE basis during the three and nine months ended September 30, 2014, respectively, compared to the levels in the same periods in 2013. The increases on an absolute-dollar basis in both periods and the increase on a per-BOE basis for the nine-month period are primarily attributable to additional costs associated with our newest flood at Bell Creek Field which had initial production and operating expense in the third quarter of 2013, as well as its production being low relative to operating costs because production is still ramping up, resulting in high per-BOE operating costs, which is typical when we start up a new tertiary flood. The increase during the comparative nine-month periods is further impacted by a higher number of well workovers to repair well failures during the first quarter of 2014, and higher power costs due to higher rates and usage during 2014. When comparing sequential quarters, excluding Delhi remediation costs and insurance reimbursements, tertiary lease operating expenses decreased by 6% on a per-BOE basis between the second and third quarters of 2014.

Currently, our CO<sub>2</sub> expense comprises approximately one-fourth of our typical tertiary lease operating expenses, and for the CO<sub>2</sub> reserves we already own, consists of CO<sub>2</sub> production expenses, and for the CO<sub>2</sub> reserves we do not own, consists of our purchase of CO<sub>2</sub> from royalty and working interest owners and anthropogenic (man-made) sources. During the third quarter of 2014, approximately 64% of the CO<sub>2</sub> utilized in our CO<sub>2</sub> floods consisted of CO<sub>2</sub> owned by us and the remaining portion we purchased from third-party owners (primarily royalty owners). The price we pay others for CO<sub>2</sub> varies by source and is generally indexed to oil prices. When combining the production cost of the CO<sub>2</sub> we own with what we pay third parties for CO<sub>2</sub>, our average cost of CO<sub>2</sub> during the third quarter of 2014 was approximately \$0.40 per Mcf, including taxes paid on CO<sub>2</sub> production but excluding depreciation and amortization of capital. This rate during the third quarter of 2014 was slightly lower than the \$0.42 per Mcf comparable measure during the second quarter of 2014 and higher than the \$0.37 per Mcf spent during the third quarter of 2013, with these fluctuations primarily due to fluctuations in pricing of our Rocky Mountain region CO<sub>2</sub> and changes in the oil price index. Including the cost of depreciation and amortization of capital expended at our CO<sub>2</sub> source fields and anthropogenic sources, but excluding depreciation of our CO<sub>2</sub> pipelines, our cost of CO<sub>2</sub> was \$0.51 per Mcf and \$0.46 per Mcf during the third quarters of 2014 and 2013, respectively.

Non-tertiary lease operating expenses increased 5% on an absolute-dollar basis and 10% on a per-BOE basis between the three months ended September 30, 2013 and 2014, primarily due to the addition of Riley Ridge workover costs of approximately \$8 million in the current quarter. Non-tertiary lease operating expenses increased 10% on an absolute-dollar basis and 3% on a per-BOE basis between the nine months ended September 30, 2013 and 2014, also primarily due to workover costs at Riley Ridge, as well as our late-March 2013 purchase of additional interests in CCA, which caused an increase in costs, but which properties generally have a lower operating cost on a per-BOE basis than our other non-tertiary properties. On a sequential-quarter basis, our non-tertiary lease operating expenses increased \$5.1 million (8%) on an absolute-dollar basis and \$2.90 (14%) on a per-BOE basis during the third quarter of 2014, primarily due to an increase in workover costs at Riley Ridge. The increase on a per-BOE basis is further impacted by the decrease in non-tertiary production during the quarter (see further discussion in *Non-Tertiary Production* above).

*Taxes Other Than Income*

Taxes other than income includes ad valorem, production and franchise taxes. Taxes other than income decreased \$9.3 million and increased \$4.5 million during the three and nine months ended September 30, 2014, respectively, compared to the same periods in 2013. The levels of taxes other than income during most periods are generally aligned with fluctuations in oil and natural gas revenues. However, the decrease during the three-month period is impacted by a cumulative \$7.5 million reduction in severance taxes at Hastings Field for a state-approved enhanced oil recovery project exemption. In addition, the increase during the nine-

[Table of Contents](#)**Denbury Resources Inc.*****Management's Discussion and Analysis of Financial Condition and Results of Operations***

month period is further impacted by the change in the mix of properties subject to production and ad valorem taxes primarily as a result of the CCA acquisition.

***General and Administrative Expenses ("G&A")***

<i>In thousands, except per-BOE data and employees</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Gross cash compensation and administrative costs	\$ 87,355	\$ 82,653	\$ 265,400	\$ 247,171
Gross stock-based compensation	10,986	10,032	33,343	30,791
Operator labor and overhead recovery charges	(42,763)	(43,272)	(128,836)	(125,064)
Capitalized exploration and development costs	(15,212)	(13,444)	(46,896)	(41,658)
Net G&A expense	<u>\$ 40,366</u>	<u>\$ 35,969</u>	<u>\$ 123,011</u>	<u>\$ 111,240</u>
<b>G&amp;A per BOE:</b>				
Net administrative costs	\$ 4.72	\$ 4.32	\$ 4.88	\$ 4.69
Net stock-based compensation	1.22	1.15	1.19	1.15
Net G&A expense	<u>\$ 5.94</u>	<u>\$ 5.47</u>	<u>\$ 6.07</u>	<u>\$ 5.84</u>
Employees as of September 30	1,502	1,494		

Gross cash compensation and administrative costs on an absolute-dollar basis increased \$4.7 million (6%) and \$18.2 million (7%) during the three and nine months ended September 30, 2014, respectively, compared to the same periods in 2013, primarily due to higher compensation-related costs, insurance, and professional services. The increase during the nine-month period was further impacted by the prior-year period including a \$1.9 million insurance reimbursement.

Net G&A expense on a per-BOE basis increased 9% and 4% during the three and nine months ended September 30, 2014, respectively, compared to levels in the same periods in 2013. The increase between the comparative three- and nine-month periods was primarily due to higher compensation-related costs, partially offset by an increase in capitalized exploration and development costs and an increase in production during 2014. The increase between the nine-month periods was further impacted by the 2013 period including a \$1.9 million insurance reimbursement.

Our well operating agreements allow us, when we are the operator, to charge a well with a specified overhead rate during the drilling phase and also to charge a monthly fixed overhead rate for each producing well. In addition, salaries associated with field personnel are initially recorded as gross cash compensation and administrative costs and subsequently reclassified to lease operating expenses or capitalized to field development costs to the extent those individuals are dedicated to oil and gas production, exploration, and development activities. As a result of additional operated wells, increased compensation expense and an increase in the COPAS overhead rate, the amount we recovered as operator labor and overhead charges increased by 3% during the nine months ended September 30, 2014 compared to the amounts recovered in the same period in 2013. Capitalized exploration and development costs increased between both comparative periods, primarily due to increased compensation costs subject to capitalization.

[Table of Contents](#)

**Denbury Resources Inc.**

*Management's Discussion and Analysis of Financial Condition and Results of Operations*

**Interest and Financing Expenses**

<i>In thousands, except per-BOE data and interest rates</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Cash interest expense	\$ 47,158	\$ 50,828	\$ 147,115	\$ 155,308
Noncash interest expense	3,456	3,441	10,434	10,581
Less: capitalized interest	(5,862)	(19,768)	(17,413)	(64,752)
Interest expense, net	\$ 44,752	\$ 34,501	\$ 140,136	\$ 101,137
Interest expense, net per BOE	\$ 6.59	\$ 5.24	\$ 6.91	\$ 5.31
Average debt outstanding	\$ 3,622,579	\$ 3,278,972	\$ 3,618,149	\$ 3,260,030
Average interest rate <sup>(1)</sup>	5.2%	6.2%	5.4%	6.4%

(1) Includes commitment fees but excludes debt issue costs and amortization of discount or premium.

As reflected in the table above, our average interest rate was lower in both the three and nine months ended September 30, 2014 than in the same periods in 2013. The lower rates in 2014 include the impact of our April 2014 long-term debt refinancing, whereby we issued \$1.25 billion of 5½% Notes to replace our \$996.3 million of 8¼% Notes. The lower rates in the 2014 periods further reflect our refinancing in February 2013 of certain senior subordinated notes which had interest rates of 9½% and 9¾% with our 4⅝% Senior Subordinated Notes due 2023. In conjunction with these two refinancing transactions, we estimate that we will save approximately \$60 million annually in cash interest expense on the principal amount of the refinanced notes; however, our savings will be partially offset by the incremental principal amount of the newly issued senior subordinated notes, some of which was used to repay lower rate bank debt. Although our cash interest costs are lower, as a result of completing major projects on which we had been previously capitalizing interest, specifically the Riley Ridge gas processing facility, Greencore Pipeline and the tertiary flood at Bell Creek, our capitalized interest in the 2014 periods decreased significantly, contributing to an increase in net interest expense of \$10.3 million (30%) and \$39.0 million (39%) between the three and nine months ended September 30, 2014, respectively, compared to the same periods in 2013.

**Depletion, Depreciation and Amortization ("DD&A")**

<i>In thousands, except per-BOE data</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Depletion and depreciation of oil and natural gas properties	\$ 114,224	\$ 98,473	\$ 337,841	\$ 283,579
Depletion and depreciation of CO <sub>2</sub> properties	7,041	6,603	22,341	20,872
Asset retirement obligations	2,207	2,117	6,605	6,337
Depreciation of pipelines, plants and other property and equipment	23,088	18,402	69,067	54,612
Total DD&A	\$ 146,560	\$ 125,595	\$ 435,854	\$ 365,400
<b>DD&amp;A per BOE:</b>				
Oil and natural gas properties	\$ 17.15	\$ 15.28	\$ 16.99	\$ 15.21
CO <sub>2</sub> , pipelines, plants and other property and equipment	4.43	3.80	4.50	3.96
Total DD&A cost per BOE	\$ 21.58	\$ 19.08	\$ 21.49	\$ 19.17

## Table of Contents

### Denbury Resources Inc.

#### *Management's Discussion and Analysis of Financial Condition and Results of Operations*

We adjust our DD&A rate each quarter for significant changes in our estimates of oil and natural gas reserves and costs. In addition, under full cost accounting rules, the divestiture of oil and gas properties generally does not result in gain or loss recognition; instead, the proceeds of the disposition reduce the full cost pool. As such, our DD&A rate has changed significantly over time, and it may continue to change in the future. Depletion and depreciation of oil and natural gas properties and asset retirement obligations increased 16% and 19% on an absolute-dollar basis for the three and nine months ended September 30, 2014, respectively, compared to the same periods in 2013. The increase on an absolute-dollar basis was due to both higher production volumes and a higher depletion rate per BOE compared to the same periods in 2013. The DD&A rate per BOE for oil and natural gas properties increased 12% for both the three and nine months ended September 30, 2014, compared to levels in the same periods in 2013, primarily due to the recognition in late 2013 of proved reserves at Bell Creek Field and the related reclassification of costs from unevaluated to evaluated, and higher forecasted development costs.

Depletion and depreciation of our CO<sub>2</sub> properties, pipelines, plants, and other property and equipment increased 20% and 21% on an absolute-dollar and 17% and 14% on a per-BOE basis during the three and nine months ended September 30, 2014, respectively, compared to the same periods in 2013, primarily due to the startup of the Riley Ridge gas processing facility in late 2013 and additional pipelines and CO<sub>2</sub> properties placed in service. The lower rate of increase on a per-BOE basis (compared to the absolute-dollar measure) was due to higher production volumes in the 2014 periods.

We are required each quarter to perform a ceiling test calculation under full cost accounting rules, and we test goodwill for impairment annually during the fourth quarter, or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of our reporting unit below its carrying amount. We did not have a ceiling test write-down or goodwill impairment at September 30, 2014; however, if oil or natural gas prices were to decrease significantly in subsequent periods, we may be required to record write-downs under the full cost pool ceiling test or goodwill impairments in the future. The possibility and amount of any future write-down or impairment is difficult to predict, and will depend, in part, upon oil and natural gas prices, the incremental proved reserves that may be added each period, revisions to previous reserve estimates and future capital expenditures and operating costs, as well as additional capital spent. See Item 1a, *Risk Factors*, for further discussion.

#### *Income Taxes*

<i>In thousands, except per-BOE amounts and tax rates</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Current income tax expense	\$ 214	\$ 16,019	\$ 532	\$ 23,367
Deferred income tax expense	167,356	41,292	168,967	169,634
Total income tax expense	\$ 167,570	\$ 57,311	\$ 169,499	\$ 193,001
Average income tax expense per BOE	\$ 24.68	\$ 8.71	\$ 8.36	\$ 10.12
Effective tax rate	38.4%	36.0%	38.4%	37.7%

Our income taxes are based on estimated statutory rates of approximately 38% and 38.5% in 2014 and 2013, respectively. Our effective tax rate for the three and nine months ended September 30, 2014 was slightly above our estimated statutory rate, primarily due to a reduction in the domestic production activities deduction and the inclusion of differences between our 2013 tax provision and our 2013 filed tax returns. For the three and the nine months ended September 30, 2013, our effective tax rate was below our estimated statutory rate due to a change in the expected completion date of the Riley Ridge gas processing facility, as well as the change in tax treatment of certain items between our 2012 tax provision and our 2012 filed tax returns. The amounts recorded as current income tax expense represent our federal taxes, reduced by enhanced oil recovery credits during the 2013 periods, plus our state income taxes. The lower level of current income taxes during the three and nine months ended September 30, 2014 was primarily due to tax benefits related to the loss on extinguishment of debt recognized during the second quarter of 2014. The higher level of deferred income taxes during three months ended September 30, 2014 was primarily due to the noncash fair value gain on our commodity derivatives during the third quarter of 2014.

As of September 30, 2014, we had an estimated \$15.0 million of enhanced oil recovery credits to carry forward related to our tertiary operations, and \$34.8 million of alternative minimum tax credits that can be utilized to reduce our current income taxes

## Table of Contents

### Denbury Resources Inc.

#### *Management's Discussion and Analysis of Financial Condition and Results of Operations*

during 2014 or future years. These enhanced oil recovery credits do not begin to expire until 2025. Since the ability to earn additional enhanced oil recovery credits is based upon the level of oil prices, we would not currently expect to earn additional enhanced oil recovery credits unless oil prices were to significantly deteriorate.

#### **Per-BOE Data**

The following table summarizes our cash flow and results of operations on a per-BOE basis for the comparative periods. Each of the individual components is discussed above.

<i>Per-BOE data</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Oil and natural gas revenues	\$ 91.60	\$ 101.32	\$ 93.83	\$ 98.55
Payment on settlements of commodity derivatives	(3.67)	(0.10)	(5.04)	(0.03)
Lease operating expenses – excluding Delhi Field remediation	(24.32)	(23.24)	(24.59)	(23.29)
Lease operating expenses – Delhi Field remediation	1.46	(4.26)	0.49	(5.14)
Production and ad valorem taxes	(5.34)	(7.00)	(6.22)	(6.43)
Marketing expenses, net of third-party purchases, and plant operating expenses	(1.63)	(1.39)	(1.82)	(1.45)
Production netback	58.10	65.33	56.65	62.21
CO <sub>2</sub> and helium sales, net of operating and exploration expenses	—	0.39	0.57	0.45
General and administrative expenses	(5.94)	(5.47)	(6.07)	(5.84)
Interest expense, net	(6.59)	(5.24)	(6.91)	(5.31)
Other	1.00	(1.57)	1.08	(0.29)
Changes in assets and liabilities relating to operations	3.56	(7.02)	(1.67)	1.88
Cash flow from operations	50.13	46.42	43.65	53.10
DD&A	(21.58)	(19.08)	(21.49)	(19.17)
Deferred income taxes	(24.65)	(6.28)	(8.33)	(8.89)
Loss on early extinguishment of debt	—	—	(5.62)	(2.34)
Noncash fair value adjustments on commodity derivatives	40.82	(12.12)	5.08	(2.42)
Other noncash items	(5.14)	6.57	0.12	(3.51)
Net income	\$ 39.58	\$ 15.51	\$ 13.41	\$ 16.77

#### **CRITICAL ACCOUNTING POLICIES**

For additional discussion of our critical accounting policies, which remain unchanged, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Form 10-K.

#### **FORWARD-LOOKING INFORMATION**

The statements contained in this Quarterly Report on Form 10-Q that are not historical facts, including, but not limited to, statements found in the section *Management's Discussion and Analysis of Financial Condition and Results of Operations*, are forward-looking statements, as that term is defined in Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve a number of risks and uncertainties. Such forward-looking statements may be or may concern, among other things, forecasted production, cash flows and capital expenditures, levels of dividend payments in future periods,

## Table of Contents

### **Denbury Resources Inc.**

#### ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

drilling activity or methods including the timing and location thereof, pending or planned acquisitions or dispositions, development activities, estimated timing of completion of pipeline construction and the cost thereof, timing of CO<sub>2</sub> injections and initial production responses thereto, cost savings, production rates and volumes or forecasts thereof, hydrocarbon reserve quantities and values, CO<sub>2</sub> reserves and their availability, helium reserves, potential reserves, percentages of recoverable original oil in place, hydrocarbon prices, pricing or cost assumptions based on current and projected oil and gas prices, cost and availability of equipment and services, liquidity, availability of capital, borrowing capacity, regulatory matters, prospective legislation affecting the oil and gas industry, mark-to-market values, possible asset impairments, competition, long-term forecasts of production, finding costs, rates of return, estimated costs, estimates of the range of potential insurance recoveries, estimates of costs of remedial activities, changes in costs, future capital expenditures and overall economics and other variables surrounding our operations and future plans. Such forward-looking statements generally are accompanied by words such as "plan," "estimate," "expect," "predict," "to our knowledge," "anticipate," "projected," "preliminary," "should," "assume," "believe," "may," or other words that convey, or are intended to convey, the uncertainty of future events or outcomes. Such forward-looking information is based upon management's current plans, expectations, estimates, and assumptions and is subject to a number of risks and uncertainties that could significantly and adversely affect current plans, anticipated actions, the timing of such actions and the Company's financial condition and results of operations. As a consequence, actual results may differ materially from expectations, estimates or assumptions expressed in or implied by any forward-looking statements made by or on behalf of the Company. Among the factors that could cause actual results to differ materially are fluctuations in worldwide oil prices or in U.S. oil and/or natural gas prices and consequently in the prices received or demand for the Company's oil and natural gas; levels of future capital expenditures; effects of our indebtedness; success of our risk management techniques; inaccurate cost estimates; availability of and fluctuations in the prices of goods and services; the uncertainty of drilling results; operating hazards and remediation costs; disruption of operations and damages from well incidents, hurricanes, tropical storms, or forest fires; acquisition risks; requirements for capital or its availability; conditions in the worldwide financial and credit markets; general economic conditions; competition; government regulations, including tax and environmental; and unexpected delays, as well as the risks and uncertainties inherent in oil and gas drilling and production activities or that are otherwise discussed in this quarterly report, including, without limitation, the portions referenced above, and the uncertainties set forth from time to time in the Company's other public reports, filings and public statements including, without limitation, the Company's most recent Form 10-K.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk***Debt and Interest Rate Sensitivity*

We finance some of our acquisitions and other expenditures with fixed and variable rate debt. These debt agreements expose us to market risk related to changes in interest rates. As of September 30, 2014, we had \$410.0 million in outstanding borrowings on our bank credit facility. At this level of variable-rate debt, an increase or decrease of 10% in interest rates would have an immaterial effect on our interest expense. None of our existing debt has any triggers or covenants regarding our debt ratings with rating agencies, although under the NEJD financing lease, in the event of significant downgrades of our corporate credit rating by the rating agencies, certain credit enhancements can be required from us, and possibly other remedies made available under the lease.

The following table presents the principal balances of our debt, by maturity date, as of September 30, 2014:

<i>In thousands</i>	2015	2016	2017	2021	2022	2023	Total
<b>Variable rate debt:</b>							
Bank Credit Facility (weighted average interest rate of 1.9% at September 30, 2014)	\$ —	\$ 410,000	\$ —	\$ —	\$ —	\$ —	\$ 410,000
<b>Fixed rate debt:</b>							
6¾% Senior Subordinated Notes due 2021	—	—	—	400,000	—	—	400,000
5½% Senior Subordinated Notes due 2022	—	—	—	—	1,250,000	—	1,250,000
4⅝% Senior Subordinated Notes due 2023	—	—	—	—	—	1,200,000	1,200,000
Other Subordinated Notes	484	—	2,250	—	—	—	2,734

See Note 3, *Long-Term Debt*, to the Unaudited Condensed Consolidated Financial Statements for details regarding our long-term debt, including information regarding our April 2014 debt issuance (at a lower interest rate and for a longer term) and repurchase and redemption of our outstanding 8¼% Senior Subordinated Notes due 2020.

*Oil and Natural Gas Derivative Contracts*

We have historically entered into oil and natural gas derivative contracts to provide an economic hedge of our exposure to commodity price risk associated with anticipated future oil and natural gas production. We do not hold or issue derivative financial instruments for trading purposes. The production that we hedge has varied from year to year, depending on our levels of debt and financial strength and expectation of future commodity prices. To provide greater certainty to the range of our anticipated operating cash flows as we transitioned to a dividend-paying entity, in late 2013 we entered into more fixed-price swaps for 2014 than we have historically. Prior to 2014, most of our derivative contracts were collars that had a floor and ceiling price that provided price protection at a lower level, but also a wider range of variability in operating cash flows than if we had used fixed-price swap contracts. We anticipate that we may use more fixed-price swaps in the future or a combination of fixed-price swaps and collars as we look to provide more certainty around our cash flows in order to execute on our capital development plans, pay dividends and retain a healthy balance sheet. We may also look to hedge further out than the 18 months to two years we have typically hedged, potentially up to three years, in order to provide greater certainty around oil and natural gas prices and projected cash flows for an extended period. See Notes 5 and 6 to the Unaudited Condensed Consolidated Financial Statements for additional information regarding our commodity derivative contracts.

All of the mark-to-market valuations used for our oil and natural gas derivatives are provided by external sources. We manage and control market and counterparty credit risk through established internal control procedures that are reviewed on an ongoing basis. We attempt to minimize credit risk exposure to counterparties through formal credit policies, monitoring procedures and diversification. All of our commodity derivative contracts are with parties that are lenders under our bank credit facility. We have

## Table of Contents

### Denbury Resources Inc.

included an estimate of nonperformance risk in the fair value measurement of our oil and natural gas derivative contracts, which we have measured for nonperformance risk based upon credit default swaps or credit spreads.

For accounting purposes, we do not apply hedge accounting to our oil and natural gas derivative contracts. This means that any changes in the fair value of these derivative contracts will be charged to earnings on a quarterly basis instead of charging the effective portion to other comprehensive income and the ineffective portion to earnings.

At September 30, 2014, our commodity derivative contracts were recorded at their fair value, which was a net asset of \$55.8 million, a \$103.1 million increase from the \$47.3 million net liability recorded at December 31, 2013. This change is related to the expiration of commodity derivative contracts during 2014, new commodity derivative contracts we entered into during 2014 for future periods, and to the changes in oil and natural gas futures prices between December 31, 2013 and September 30, 2014.

#### *Commodity Derivative Sensitivity Analysis*

Based on NYMEX and LLS crude oil futures prices and natural gas futures prices as of September 30, 2014, and assuming both a 10% increase and decrease thereon, we would expect to make or receive payments on our crude oil and natural gas derivative contracts as shown in the following table:

<i>In thousands</i>	Receipt / (Payment)	
	Crude Oil Derivative Contracts	Natural Gas Derivative Contracts
Based on:		
Futures prices as of September 30, 2014	\$ 50,230	\$ 265
10% increase in prices	(128,835)	(350)
10% decrease in prices	250,479	1,940

Our commodity derivative contracts are used as an economic hedge of our exposure to commodity price risk associated with anticipated future production. As a result, changes in receipts or payments of our commodity derivative contracts due to changes in commodity prices as reflected in the above table would be mostly offset by a corresponding increase or decrease in the cash receipts on sales of our oil or natural gas production to which those commodity derivative contracts relate.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures.** As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was performed under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2014, to ensure that information required to be disclosed in the reports the Company files and submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that information that is required to be disclosed under the Exchange Act is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

**Evaluation of Changes in Internal Control over Financial Reporting.** Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have determined that, during the third quarter of fiscal 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Denbury Resources Inc.

## PART II. OTHER INFORMATION

**Item 1. Legal Proceedings**

Information with respect to legal proceedings is incorporated by reference to the Form 10-K.

**Item 1A. Risk Factors**

Information with respect to the Company's risk factors has been incorporated by reference to Item 1A of the Form 10-K, supplemented as follows: Item 1A of the Form 10-K included a risk factor entitled *Our results of operations could be negatively affected as a result of goodwill impairments*. In addition to this risk as discussed in the Form 10-K, our market capitalization has recently declined significantly, largely as a result of the recent rapid decline in market oil prices. These or further declines in market oil prices and/or our market capitalization may increase the risk of goodwill impairments in future periods. There have been no other material changes to the risk factors contained in the Form 10-K since its filing.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

The following table summarizes purchases of our common stock during the third quarter of 2014:

Month	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) <sup>(2)</sup>
July 2014	23,243	\$ 17.93	—	\$ 221.9
August 2014	11,225	16.74	—	221.9
September 2014	5,997	15.97	—	221.9
Total	40,465		—	

- (1) Stock repurchases during the third quarter of 2014 were made in connection with delivery by our employees of shares to us to satisfy their tax withholding requirements related to the vesting of restricted shares and the exercise of stock appreciation rights.
- (2) In October 2011, our Board of Directors approved a common stock repurchase program for up to \$500 million of Denbury's common stock, which was increased by an additional \$271.2 million in November 2012, \$140.7 million in November 2013, and \$250.0 million in December 2013, for a total authorization under the program of \$1.162 billion. The program has no pre-established ending date and may be suspended or discontinued at any time. We are not obligated to repurchase any dollar amount or specific number of shares of our common stock under the program.

Between early October 2011, when we announced the commencement of a common share repurchase program, and September 30, 2014, we repurchased 60.0 million shares of Denbury common stock (approximately 14.9% of our outstanding shares of common stock at September 30, 2011) for \$940.0 million, or \$15.68 per share.

**Item 3. Defaults upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

None

**Item 5. Other Information**

**Corrected Second Restated Certificate of Incorporation and Second Amended and Restated Bylaws**

Although not an amendment to its Certificate of Incorporation, effective with its filing with the Delaware Secretary of State on October 30, 2014, the Company filed a Second Restated Certificate of Correction to its Certificate of Incorporation in order to correct two erroneous cross-references therein. The corrected Second Restated Certificate of Incorporation is filed as Exhibit 3 (a) to this report. Separately, effective November 4, 2014, the Board of Directors amended and restated the Company's bylaws to make changes to certain procedural provisions, including those affecting meetings of committees of the Board of Directors. The amended and restated bylaws are filed as Exhibit 3(b) to this report.

**Item 6. Exhibits**

<b>Exhibit No.</b>	<b>Exhibit</b>
3(a)*	Second Restated Certificate of Incorporation of Denbury Resources Inc. filed with the Delaware Secretary of State on October 30, 2014.
3(b)*	Second Amended and Restated Bylaws of Denbury Resources Inc. dated as of November 4, 2014.
4(a)	Indenture for 5½% Senior Subordinated Notes due 2022, dated as of April 30, 2014, by and among Denbury Resources Inc., certain of its subsidiaries, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 of Form 8-K filed by the Company on May 1, 2014, File No. 001-12935).
4(b)	Third Supplemental Indenture for 8¼% Senior Subordinated Notes due 2020, dated as of April 30, 2014, by and among Denbury Resources Inc., certain of its subsidiaries, and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.3 of Form 8-K filed by the Company on May 1, 2014, File No. 001-12935).
31(a)*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive Data Files.

\* Included herewith.

**Denbury Resources Inc.**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DENBURY RESOURCES INC.

November 7, 2014

/s/ Mark C. Allen

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Mark C. Allen  
Sr. Vice President and Chief Financial Officer

November 7, 2014

/s/ Alan Rhoades

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Alan Rhoades  
Vice President and Chief Accounting Officer

**Denbury Resources Inc.**

**INDEX TO EXHIBITS**

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101	Interactive Data Files.

*As filed on October 30, 2014*

**SECOND RESTATED CERTIFICATE OF INCORPORATION  
OF  
DENBURY RESOURCES INC.**

Pursuant to Section 245 of the  
General Corporation Law of the State of Delaware

Denbury Resources Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the corporation is Denbury Resources Inc. The Corporation was originally incorporated under the name Denbury Holdings, Inc. The date of filing of its original certificate of incorporation with the Secretary of State of the State of Delaware was December 19, 2003.

2. This Second Restated Certificate of Incorporation restates and integrates, but does not further amend, the provisions of the Corporation's Restated Certificate of Incorporation, as heretofore amended, and there is no discrepancy between this Second Restated Certificate of Incorporation and the provisions of the Corporation's Restated Certificate of Incorporation, except that this Second Restated Certificate of Incorporation omits the provisions of the original certificate of incorporation that named the initial Board of Directors of the Corporation, as permitted by Section 245(c) of the General Corporation Law of the State of Delaware.

3. This Restated Certificate of Incorporation has been adopted and approved in accordance with Section 245 of the General Corporation Law of the State of Delaware.

4. The certificate of incorporation of the Corporation, as heretofore amended, is hereby restated to read in its entirety as follows:

**ARTICLE I  
NAME**

The name of the corporation is Denbury Resources Inc. (the "Corporation").

**ARTICLE II  
REGISTERED OFFICE AND AGENT**

The address of its registered office in the State of Delaware is 1209 Orange Street, Wilmington, Delaware 19801, County of New Castle. The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

**ARTICLE III  
PURPOSES AND STOCKHOLDER LIABILITY**

(a) Purposes. The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful business, act or activity for which corporations may be organized under the DGCL.

(b) Stockholder Liability. The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever.

**ARTICLE IV  
AUTHORIZED CAPITAL STOCK**

The aggregate number of shares of all classes of stock which the Corporation shall have authority to issue is 625,000,000 shares, consisting of: (i) 600,000,000 shares of common stock, par value \$.001 per share (the "Common Stock"), and (ii) 25,000,000

shares of preferred stock, par value \$.001 per share (the "Preferred Stock"). Shares of any class of capital stock of the Corporation may be issued for such consideration and for such corporate purposes as the Board of Directors of the Corporation (the "Board of Directors") may from time to time determine. Each share of Common Stock shall be entitled to one vote.

A. Preferred Stock. The Preferred Stock may be divided into and issued from time to time in one or more series as may be fixed and determined by the Board of Directors. The relative rights and preferences of the Preferred Stock of each series shall be such as shall be stated in any resolution or resolutions adopted by the Board of Directors setting forth the designation of the series and fixing and determining the relative rights and preferences thereof (a "Directors' Resolution"). The Board of Directors is hereby authorized to fix and determine the powers, designations, preferences and relative, participating, optional or other rights, including, without limitation, voting powers, full or limited, preferential rights to receive dividends or assets upon liquidation, rights of conversion or exchange into Common Stock, Preferred Stock of any series or other securities, any right of the Corporation to exchange or convert shares into Common Stock, Preferred Stock of any series or other securities, or redemption provision or sinking fund provisions, as between series and as between the Preferred Stock or any series thereof and the Common Stock, and the qualifications, limitations or restrictions thereof, if any, all as shall be stated in a Directors' Resolution, and the shares of Preferred Stock or any series thereof may have full or limited voting powers, or be without voting powers, all as shall be stated in the Directors' Resolution. Except where otherwise set forth in the Directors' Resolution providing for the issuance of any series of Preferred Stock, the number of shares comprising such series may be increased or decreased (but not below the number of shares then outstanding) from time to time by like action of the Board of Directors. The shares of Preferred Stock of any one series shall be identical with the other shares in the same series in all respects except as to the dates from and after which dividends thereon shall cumulate, if cumulative.

B. Reacquired Shares of Preferred Stock. Shares of any series of any Preferred Stock that have been redeemed (whether through the operation of a sinking fund or otherwise), purchased by the Corporation, or which, if convertible or exchangeable, have been converted into, or exchanged for, shares of stock of any other class or classes or any evidences of indebtedness shall have the status of authorized and unissued shares of Preferred Stock and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preferred Stock or as part of any other series of Preferred Stock, all subject to the conditions or restrictions on issuance set forth in the Directors' Resolution providing for the issuance of any series of Preferred Stock and to any filing required by law.

C. Increase in Authorized Preferred Stock. The number of authorized shares of Preferred Stock may be increased or decreased by the affirmative vote of the holders of a majority of the stock of the Corporation entitled to vote without the separate vote of holders of Preferred Stock as a class.

#### **ARTICLE V EXISTENCE**

The existence of the Corporation is to be perpetual.

#### **ARTICLE VI NO PREEMPTIVE RIGHTS**

No stockholder shall be entitled, as a matter of right, to subscribe for or acquire additional, unissued or treasury shares of any class of capital stock of the Corporation whether now or hereafter authorized, or any bonds, debentures or other securities convertible into, or carrying a right to subscribe to or acquire such shares, but any shares or other securities convertible into, or carrying a right to subscribe to or acquire such shares may be issued or disposed of by the Board of Directors to such persons and on such terms as in its discretion it shall deem advisable.

#### **ARTICLE VII NO CUMULATIVE VOTING**

At each election of directors, every stockholder entitled to vote at such election shall have the right to vote in person or by proxy the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote. No stockholder shall have the right to cumulate his votes in any election of directors.

**ARTICLE VIII  
BOARD OF DIRECTORS**

A. Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the authority and powers conferred upon the Board of Directors by the DGCL or by the other provisions of this Certificate of Incorporation (this "Certificate of Incorporation"), the Board of Directors is hereby authorized and empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject to the provisions of the DGCL, this Certificate of Incorporation and the Bylaws of the Corporation (the "Bylaws"); provided, however, that no Bylaws hereafter adopted by the stockholders of the Corporation, or any amendments thereto, shall invalidate any prior act of the Board of Directors that would have been valid if such Bylaws or amendment had not been adopted.

B. Number, Election and Terms. The number of directors which shall constitute the whole Board of Directors shall be fixed from time to time by the members of the Board of Directors then in office. Each director shall hold office until the next annual meeting of stockholders and shall serve until his successor shall have been duly elected and qualified or until his earlier death, resignation or removal. Election of directors need not be by written ballot.

C. Bylaws. The Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws, or adopt new Bylaws, without any action on the part of the stockholders, except as may be otherwise provided by applicable law or the Bylaws.

**ARTICLE IX  
INDEMNIFICATION**

A. Mandatory Indemnification. Each person who at any time is or was a director or officer of the Corporation, and is threatened to be or is made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitratative or investigative (a "Proceeding"), by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, member, employee, trustee, agent or similar functionary of another domestic or foreign corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other for-profit or non-profit enterprise, whether the basis of a Proceeding is an alleged action in such person's official capacity or in another capacity while holding such office, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, or any other applicable law as may from time to time be in effect (but, in the case of any amendment to such law or enactment of new law, only to the extent that such amendment or enactment permits the Corporation to provide broader indemnification rights than such law prior to such amendment or enactment permitted the Corporation to provide), against all expense, liability and loss (including, without limitation, court costs and attorneys' fees, judgments, fines, excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such person in connection with a Proceeding, and such indemnification shall continue as to a person who has ceased to be a director or officer of the Corporation or a director, officer, partner, venturer, proprietor, member, employee, trustee, agent or similar functionary of another domestic or foreign corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other for-profit or non-profit enterprise, and shall inure to the benefit of such person's heirs, executors and administrators. The Corporation's obligations under this Section A include, but are not limited to, the convening of any meeting, and the consideration of any matter thereby, required by statute in order to determine the eligibility of any person for indemnification.

B. Advancement of Expenses. Expenses incurred by a director or officer of the Corporation in defending a Proceeding shall be paid by the Corporation in advance of the final disposition of such Proceeding to the fullest extent permitted by, and only in compliance with, the DGCL or any other applicable laws as may from time to time be in effect, including, without limitation, any provision of the DGCL which requires, as a condition precedent to such expense advancement, the delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under Section A of this Article IX or otherwise. Repayments of all amounts so advanced shall be upon such terms and conditions, if any, as the Corporation's Board of Directors deems appropriate.

C. Vesting. The Corporation's obligation to indemnify and to prepay expenses under Sections A and B of this Article IX shall arise, and all rights granted to the Corporation's directors and officers hereunder shall vest, at the time of the occurrence of the transaction or event to which a Proceeding relates, or at the time that the action or conduct to which such Proceeding relates was first taken or engaged in (or omitted to be taken or engaged in), regardless of when such Proceeding is first threatened, commenced or completed. Notwithstanding any other provision of this Certificate of Incorporation or the Bylaws, no action taken by the Corporation, either by amendment of this Certificate of Incorporation or the Bylaws or otherwise, shall diminish or adversely

affect any rights to indemnification or prepayment of expenses granted under Sections A and B of this Article IX which shall have become vested as aforesaid prior to the date that such amendment or other corporate action is effective or taken, whichever is later.

D. Enforcement. If a claim under Section A or Section B or both Sections A and B of this Article IX is not paid in full by the Corporation within thirty (30) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit in a court of competent jurisdiction against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim, including attorneys' fees. It shall be a defense to any such suit (other than a suit brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL or other applicable law to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. The failure of the Corporation (including its Board of Directors, independent legal counsel, or stockholders) to have made a determination prior to the commencement of such suit as to whether indemnification is proper in the circumstances based upon the applicable standard of conduct set forth in the DGCL or other applicable law shall neither be a defense to the action nor create a presumption that the claimant has not met the applicable standard of conduct. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had reasonable cause to believe that his conduct was unlawful.

E. Nonexclusive. The indemnification provided by this Article IX shall not be deemed exclusive of any other rights to which a person seeking indemnification may be entitled under any statute, bylaw, other provisions of this Certificate of Incorporation, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

F. Permissive Indemnification. The rights to indemnification and prepayment of expenses which are conferred to the Corporation's directors and officers by Sections A and B of this Article IX may be conferred upon any employee or agent of the Corporation if, and to the extent, authorized by the Board of Directors.

G. Insurance. The Corporation shall have power to purchase and maintain insurance, at its expense, on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, member, employee, trustee, agent or similar functionary of another domestic or foreign corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other for-profit or non-profit enterprise against any expense, liability or loss asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the provisions of this Article IX, the Corporation's Bylaws, the DGCL or other applicable law.

H. Implementing Arrangements. Without limiting the power of the Corporation to procure or maintain insurance or other arrangement on behalf of any of the persons as described in Section G of this Article IX, the Corporation may, for the benefit of persons eligible for indemnification by the Corporation, (i) create a trust fund, (ii) establish any form of self-insurance, (iii) secure its indemnity obligation by grant of a security interest or other lien on the assets of the Corporation, or (iv) establish a letter of credit, guaranty or surety arrangement.

## **ARTICLE X LIMITED DIRECTOR LIABILITY**

No director of the Corporation shall be personally liable to the Corporation or to its stockholders for monetary damages for breach of fiduciary duty as a director, provided that this Article X shall not eliminate or limit the liability of a director: (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, as it may hereafter be amended from time to time, or (iv) for any transaction from which the director derived an improper personal benefit.

If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so

amended. No amendment to or repeal of this Article X will apply to, or have any effect on, the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of the director occurring prior to such amendment or repeal.

**ARTICLE XI  
BUSINESS COMBINATIONS WITH INTERESTED STOCKHOLDERS**

The Corporation shall not be governed by Section 203 of the DGCL.

**ARTICLE XII  
INSPECTION RIGHTS OF BONDHOLDERS**

The holders of any bonds, debentures or other obligations issued or to be issued by the Corporation shall have the same right of inspection of the Corporation's books, accounts and other records which the stockholders of Corporation have.

**DENBURY RESOURCES INC.  
SECOND AMENDED AND RESTATED BYLAWS**

(as of November 4, 2014)

**ARTICLE 1**

**OFFICES**

**Section 1.1. Registered Office.** The registered office of the corporation shall be in the County of New Castle, State of Delaware.

**Section 1.2. Other Offices.** The corporation may also have offices at such other places, either within or without the State of Delaware, as the board of directors of the corporation (the “board of directors”) may from time to time determine, or as the business of the corporation may require.

**ARTICLE 2**

**MEETINGS OF STOCKHOLDERS**

**Section 2.1. Place of Meetings of Stockholders.** All meetings of the stockholders of the corporation (the “stockholders”) shall be held at the principal executive offices of the corporation (the “principal executive offices”) or at such other place (if any), on such date, and at such time as shall be designated by the board of directors, either within or without the State of Delaware, and stated in the notice of the meeting provided in accordance with Section 2.2.

**Section 2.2. Notice of Meetings of Stockholders.**

(a) Notice of any annual or special meeting of stockholders, stating the place (if any), date, and time of the meeting, as well as the record date for determining stockholders entitled to vote at the meeting (if such record date is different from the record date for determining stockholders entitled to notice of the meeting), and the means of remote communication (if any) by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, shall be given to each stockholder entitled to notice of such meeting, not less than ten (10) nor more than sixty (60) days before the date of the meeting. Notice of special meetings of stockholders shall also include the purpose or purposes for which the meeting is called. Business transacted at any special meeting of stockholders shall be limited to the purpose or purposes stated in the notice. The board of directors, acting by resolution, may postpone and reschedule any previously scheduled annual or special meeting of stockholders.

(b) Notice to stockholders may be given by personal delivery, mail, or, with the consent of the stockholder entitled to receive notice, by means of electronic transmission as provided in this Section 2.2(b). If mailed, such notice shall be delivered by postage prepaid envelope directed to each stockholder at such stockholder’s address as it appears in the records of the corporation and shall be deemed given when deposited in the United States mail. Notice given by electronic transmission pursuant to this Section 2.2(b) shall be deemed given: (i) if by facsimile telecommunication, when directed to a facsimile telecommunication number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder. An affidavit of the secretary or an assistant secretary, or of the transfer agent or other agent, of the corporation that the notice has been given by personal delivery, by mail, or by a form of electronic transmission shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

(c) Notice of any meeting of stockholders need not be given to any stockholder if waived by such stockholder either before or after such meeting is held, which waiver may either be by means of a waiver in writing signed by such stockholder, or by electronic transmission that either sets forth or is submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder.

**Section 2.3. Voting List.** The officer of the corporation (“officer”) who has charge of the stock ledger of the corporation shall prepare and make, or cause to be prepared and made, at least ten (10) days before every meeting of stockholders, a complete list

of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares of capital stock of the corporation (“Shares”) registered in the name of each stockholder; *provided, however*, if the record date for determining the stockholders entitled to vote at the meeting is fewer than ten (10) days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth (10th) day before the meeting date, arranged in alphabetical order, and showing the address of each stockholder and the number of Shares registered in the name of each stockholder. Nothing contained in this Section 2.3 shall require the corporation to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days prior to the meeting, at the corporation’s discretion, either (a) on an electronic network determined by the corporation to be reasonably accessible and secure; *provided, however*, that the information required to gain access to such list is provided with the notice of the meeting; or (b) during ordinary business hours at the principal place of business of the corporation. If the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders. If the meeting is to be held at a physical location, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible network, and the information required to access such list shall be provided with the notice of the meeting. The stock ledger shall be the only evidence of the identity of the stockholders entitled to examine such list.

**Section 2.4. Annual Meetings.** Annual meetings of stockholders shall be held at the time and place (if any) to be selected by the board of directors. At the annual meeting, the stockholders shall elect a board of directors and transact such other business as may properly be brought at the meeting. Nominations of persons for election to the board of directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders only as provided in Section 2.12.

**Section 2.5. Special Meetings.**

(a) Special meetings of stockholders, for any purpose or purposes, unless otherwise provided by the corporation’s certificate of incorporation (the “certificate of incorporation”), these bylaws, or applicable law, shall be called only (i) by the board of directors pursuant to a resolution approved by a majority of the directors then in office, or (ii) by the secretary of the corporation (the “secretary”), following his receipt at the principal executive offices of one or more Proper Special Meeting Demand(s) by or on behalf of holders of record of Shares representing, collectively, the Requisite Percentage.

(b) In the case of a special meeting called pursuant to Section 2.5(a)(ii), the date of such special meeting as fixed by the board of directors shall not be fewer than thirty (30) nor more than ninety (90) days after the first date by which Proper Special Meeting Demand(s) by stockholders of record holding, collectively, the Requisite Percentage have been received by the secretary at the principal executive offices in accordance with this Section 2.5.

(c) To be in proper form and constitute a Proper Special Meeting Demand, a special meeting demand from a stockholder shall be in writing and shall set forth and describe in fair, accurate, and material detail:

(i) the purpose or purposes for which the meeting is to be called; and

(ii) (A) all Stockholder Information as to each Demanding Person; (B) all Disclosable Interests as to each Demanding Person; (C) all Proposed Nomination Information as to each Proposed Nominee, if a purpose of the special meeting is to elect directors and the Demanding Person is proposing any Proposed Nominee(s); (D) all Proposed Business Information, if a purpose of the special meeting is the consideration of any Other Business; (E) a Holder of Record Representation by or on behalf of each Demanding Person; (F) a Proxy Solicitation Representation by or on behalf of each Demanding Person (as each such capitalized term in the foregoing clauses (A) through (F) is defined in Section 2.12(d), except that for purposes of this Section 2.5, (x) the term “Demanding Person” shall be substituted for the term “Proposing Person” in all places it appears in Section 2.12(d), and (y) references to the date or dates as of which updated or supplemental information is required to be true and correct pursuant to Section 2.12 hereof shall refer to the date or dates as of which updated or supplemental information is required to be true and correct pursuant to Section 2.5(d)); and (G) a certification with documentary evidence as to the aggregate number of Shares Beneficially Owned by each Demanding Person that are Net Long Shares. The corporation may require any Proposed Nominee to furnish such other information as it may reasonably require to determine (1) the eligibility of any Proposed Nominee to serve as a director of the corporation (a “director”), and (2) whether such Proposed

Nominee qualifies as an “independent director” or “audit committee financial expert” under applicable law, securities exchange rule or regulation, or any publicly disclosed corporate governance guideline or committee charter of the corporation.

(d) In the case of a special meeting called pursuant to Section 2.5(a)(ii), each Demanding Person shall further update and supplement his special meeting demand(s) so that:

(i) the information provided or required to be provided in such special meeting demand(s) pursuant to Section 2.5(c) shall be updated and supplemented to be true and correct as of:

(A) the record date for the determination of stockholders entitled to notice of the special meeting;

(B) if such record date is more than fifteen (15) Business Days before the special meeting, as of the date that is ten (10) Business Days before the special meeting; and

(C) as of the date that is ten (10) Business Days before the date scheduled for the convening of any postponed special meeting or the reconvening of any adjourned special meeting.

(ii) The time that such updated and supplemental information must be delivered to, or mailed to and received by, the secretary at the principal executive offices is as follows:

(A) in the case of information that is required to be updated and supplemented pursuant to Section 2.5(d)(i)(A) to be true and correct as of the record date for the determination of stockholders entitled to notice of the special meeting, not later than the later of (x) five (5) Business Days after such record date or (y) five (5) Business Days after the Public Announcement of such record date;

(B) in the case of information that is required to be updated and supplemented pursuant to Section 2.5(d)(i)(B) to be true and correct as of the date that is ten (10) Business Days before the special meeting, not later than eight (8) Business Days before the special meeting; and

(C) in the case of information that is required to be updated and supplemented pursuant to Section 2.5(d)(i)(C) to be true and correct as of the date that is ten (10) Business Days before the date scheduled for the convening of any postponed special meeting or the reconvening of any adjourned special meeting, not later than eight (8) Business Days before the date scheduled for such convening or reconvening of the special meeting; *provided, however*, if it is not practicable to provide such updated and supplemental information not later than eight (8) Business Days before the date scheduled for such convening or reconvening, on the first practicable date before any such convening or reconvening.

(e) The secretary shall not accept, and shall consider ineffective, a special meeting demand from a stockholder (i) that does not comply with this Section 2.5, (ii) that relates to an item of business to be transacted at the proposed special meeting that is not a proper subject for stockholder action under applicable law, or (iii) if the business proposed to be conducted at the special meeting as set forth in such special meeting demand is identical to or substantially similar to an item of business that will be submitted for stockholder approval or consideration at any meeting of stockholders to be held on or before the ninetieth (90th) day after the secretary receives such special meeting demand. In addition to the requirements of this Section 2.5, each Demanding Person shall comply with all requirements of applicable law, including all requirements of the Exchange Act, with respect to any special meeting demand

(f) Nothing in this Section 2.5 shall be deemed or construed to give any stockholder a right to fix the date, time, or place of, or to fix any record date for, any special meeting of stockholders. Except as expressly provided in, and in accordance with, this Section 2.5, stockholders shall not be permitted (i) to call or cause any officer of the corporation to call a special meeting of stockholders or (ii) to propose business to be brought before a special meeting of stockholders, other than the nomination of persons for election to the board of directors at a special meeting of stockholders at which directors are to be elected pursuant to the corporation’s notice of meeting, which nominations may be made only in accordance with, and subject to, this Section 2.5 or Section 2.12. Anything in Section 2.12 to the contrary notwithstanding, in the case of a special meeting called pursuant to Section 2.5(a)(ii), if a purpose of such special meeting is to elect directors to the board of directors, and a Demanding Person has included

in his Proper Special Meeting Demand the names of each Proposed Nominee the Demanding Person proposes to nominate at the special meeting for election to the board of directors, together with all other information required by Section 2.5(c), and so long as the Demanding Person has otherwise complied with this Section 2.5, then the Demanding Person's Proper Special Meeting Demand shall be deemed to be, and shall substitute for, the notice contemplated by Section 2.12(b) and such Demanding Person shall be deemed to have given timely notice of such nominations in the proper form for purposes of Section 2.12(b) and otherwise to have complied with the notice procedures set forth in Section 2.12(b)(ii), so long as such Demanding Person provides any updates or supplements to such Proper Special Meeting Demand at such times and in the forms required by Section 2.5(d).

(g) Anything in this Section 2.5 to the contrary notwithstanding, in the case of a special meeting called pursuant Section 2.5 (a)(ii), the board of directors may submit its own proposal or proposals, including nominations of persons for election to the board of directors if election of directors is a purpose of the special meeting, for consideration at such special meeting. At the direction of the board of directors, such proposal or proposals shall be included in the notice for the special meeting as a purpose or purposes for which the meeting is called.

(h) A stockholder may revoke a special meeting demand by submitting a Demand Revocation. The board of directors shall have the sole discretion to determine whether or not to proceed with the special meeting if after the secretary's receipt of Proper Special Meeting Demand(s) from the holders of the Requisite Percentage (i) any Demand Revocation(s) are delivered to or received by the secretary, or (ii) at any time before the record date for the determination of stockholders entitled to vote at the special meeting, a Demanding Person updates or supplements his special meeting demand as required by Section 2.5(d), which updated or supplemented demand evidences or indicates a reduction in Net Long Shares held by such Demanding Person, and as a result of such Demand Revocation(s), update, or supplementation, there no longer are unrevoked Proper Special Meeting Demands by stockholders holding, collectively, the Requisite Percentage as required by this Section 2.5.

(i) Definitions. For purposes of this Section 2.5, capitalized terms used herein but not otherwise defined in this Section 2.5 (i) shall have such meanings as defined in Section 2.12(d). As used in this Section 2.5, the following capitalized terms shall have the following meanings:

(i) "Demanding Person" shall mean (A) each stockholder making a demand pursuant to Section 2.5(a), (B) the Beneficial Owner or Beneficial Owners, if different, on whose behalf such demand is given, and (C) any affiliates or associates (each within the meaning of Rule 12b-2 under the Exchange Act, or its successor provision) of such stockholder or Beneficial Owner;

(ii) "Demand Revocation" shall mean a written revocation of a special meeting demand delivered to, or mailed to and received by, the secretary at the principal executive offices at any time before the special meeting;

(iii) "Net Long Shares" shall mean (A) the number of Shares Beneficially Owned, directly or indirectly, by any stockholder or Beneficial Owner that constitute such Person's net long position as defined in Rule 14e-4 under the Exchange Act (except that (x) for purposes of such definition, the reference to the date the tender offer is first announced shall instead refer to the date for determining a stockholder's or Beneficial Owner's Net Long Shares, and (y) the reference to the highest tender price shall refer to the market price on such date), and (B) to the extent any associates or affiliates of the stockholder or Beneficial Owner are acting in concert with the stockholder or Beneficial Owner with respect to the calling of the special meeting, the determination of Net Long Shares shall include the effect of aggregating the Net Long Shares (including any negative number) of such associates or affiliates;

(iv) "Proper Special Meeting Demand" shall mean a written demand by a stockholder of record requesting the secretary to call a special meeting of stockholders, which demand is submitted in accordance with, and in the form and containing the information required by, this Section 2.5; and

(v) "Requisite Percentage" shall mean at least twenty-five percent (25%) of the aggregate voting power of the then issued and outstanding Shares, which Shares are certified pursuant to Section 2.5(c)(ii)(G) to be included in the Demanding Person's Net Long Shares.

**Section 2.6. Quorum and Adjournment.** The holders of not less than one-third of the Shares issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business, except as otherwise provided by the certificate of incorporation or applicable law. If, however, such quorum

shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented.

**Section 2.7. Adjourned Meetings.** When a meeting is adjourned to another time and place (if any), unless otherwise provided by the certificate of incorporation, these bylaws, or applicable law, notice need not be given of the adjourned meeting if the date, time, and place (if any) thereof and the means of remote communication (if any) by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken. At the adjourned meeting, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for determining the stockholders entitled to vote at the adjourned meeting, a notice of the adjourned meeting shall be given in accordance with Section 2.2 to each stockholder of record entitled to vote at the meeting.

**Section 2.8. Order of Business and Conduct of Meeting.** At each meeting of the stockholders, unless otherwise determined by the board of directors, one of the following persons, in the order in which they are listed (and in the absence of the first, the next, and so on), shall serve as chairman of the meeting: chairman of the board, chief executive officer, president, and such other officer as the board of directors may designate. The order of business at each such meeting shall be as determined by the chairman of the meeting. The board of directors may adopt by resolution rules, regulations, and procedures for the conduct of any meeting of stockholders. Except to the extent inconsistent with any such rules, regulations, and procedures, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations, and procedures for the conduct of the meeting (which need not be in writing) and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof, and the opening and closing of the polls for each matter upon which stockholders will vote at the meeting. The chairman of the meeting shall also have the right and authority to adjourn the meeting without a vote of the stockholders, whether or not there is a quorum present.

**Section 2.9. Majority Vote.** When a quorum is present at any meeting, the vote of the holders of a majority of Shares having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the certificate of incorporation, these bylaws, or applicable law, a different vote is required, in which case such express provision shall govern and control the decision of such question. Directors shall be elected in accordance with Section 3.16.

**Section 2.10. Method of Voting.**

(a) Unless otherwise provided in the certificate of incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each of the Shares having voting power and registered in such stockholder's name on the books of the corporation on the record date fixed for determination of stockholders entitled to vote at such meeting.

(b) Each person entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be irrevocable if it states that it is irrevocable and if, and only so long as, it is coupled with an interest sufficient in law to support an irrevocable power. Proxies need not be filed with the secretary until the meeting is called to order, but shall be filed before being voted. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy, the following shall constitute valid means by which a stockholder may grant such authority:

(i) a stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or the stockholder's authorized officer, director, employee, or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means including, but not limited to, by facsimile signature; and

(ii) a stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of an electronic transmission to the person or persons who will be the holder of the proxy or to an agent of the proxyholder(s) duly authorized by such proxyholder(s) to receive such transmission;

*provided, however*, that any such electronic transmission must set forth (or be submitted with) information from which it can be determined that the electronic transmission was authorized by the stockholder. If it is determined that any such electronic transmission is valid, the inspectors of election or, if there are no such inspectors, such other persons making that determination, shall specify the information upon which they relied.

(c) Any copy, facsimile telecommunication, or other reliable reproduction of a writing or electronic transmission authorizing a person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or electronic transmission could be used; *provided, however*, that such copy, facsimile telecommunication, or other reproduction shall be a complete reproduction of the entire original writing or electronic transmission.

### **Section 2.11. Action Without Meeting.**

(a) Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding Shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Shares entitled to vote thereon were present and voted. The writing or writings shall be delivered to the corporation by delivery to its registered office in the State of Delaware or its principal place of business, or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(b) Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the secretary, request that the board of directors fix a record date. The board of directors shall promptly adopt a resolution fixing the record date; *provided, however*, if no record date has been fixed by the board of directors within ten (10) days of the date on which such request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware or its principal place of business, or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery shall occur as set forth in Section 2.11(a). If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.

(c) An electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this Section 2.11; *provided, however*, that any such electronic transmission sets forth or is delivered with information from which the corporation can determine (i) that the electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder, and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such electronic transmission. The date on which such electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the corporation by delivery to its registered office in the State of Delaware or its principal place of business, or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Notwithstanding the foregoing limitations on delivery, consents given by electronic transmission may be otherwise delivered to the principal place of business of the corporation or to an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded, to the extent and in the manner provided by resolutions of the board of directors.

(d) Any copy, facsimile, or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used; *provided, however*, that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing.

## Section 2.12. Submission of Nominations and Proposed Business For Consideration at Meetings of Stockholders.

### (a) Annual Meetings of Stockholders.

(i) Nominations of persons for election to the board of directors and the proposal of business to be considered by the stockholders may be made for consideration and voting at an annual meeting of stockholders only (A) pursuant to the corporation's notice of meeting (or any supplement thereto), (B) by or at the direction of the board of directors, or (C) by any stockholder (x) who was a stockholder of record (and, with respect to any Beneficial Owner, if different, on whose behalf such business is proposed or such nomination or nominations are made, only if such Beneficial Owner was the Beneficial Owner of Shares) both at the time the notice provided for in Section 2.12(a)(ii) and Section 2.12(a)(iii) is delivered to the secretary and on the record date for the determination of stockholders entitled to vote at the meeting; (y) who is entitled to vote at the meeting upon such election of directors or upon such business, as the case may be; and (z) who complies with the notice procedures set forth in Section 2.12(a)(ii) and Section 2.12(a)(iii). The foregoing provisions of clause (C) provide the exclusive means by which a stockholder may make nominations of persons for election to the board of directors to be considered and voted upon by the stockholders at an annual meeting of stockholders. Except for proposals properly made in accordance with Rule 14a-8 under the Exchange Act, and the rules and regulations thereunder, and included in the notice of meeting given by or at the direction of the board of directors, the foregoing provisions of clause (C) provide the exclusive means by which a stockholder may propose business to be brought before an annual meeting of stockholders. In addition, for business (other than the nomination of persons for election to the board of directors) to be properly brought before an annual meeting by a stockholder, such business must be a proper matter for stockholder action pursuant to the certificate of incorporation, these bylaws, and applicable law.

(ii) For nominations or other business to be properly brought before an annual meeting of stockholders by a stockholder, the stockholder (A) must have given timely notice thereof in writing and in proper form to the secretary at the principal executive offices, and (B) must provide any updates or supplements to such notice at such times and in the forms required by this Section 2.12. To be timely, a stockholder's notice relating to an annual meeting shall be delivered to, or mailed to and received by, the secretary at the principal executive offices not later than the close of business on the ninetieth (90th) day, and not earlier than the close of business on the one hundred twentieth (120th) day, before the date of the one-year anniversary of the immediately preceding year's annual meeting; *provided, however,* that if the date of the annual meeting is more than thirty (30) days before, or more than thirty (30) days after, such anniversary date, notice by the stockholder must be so delivered, or mailed and received, not earlier than the close of business on the one hundred twentieth (120th) day before such annual meeting and not later than the close of business on the later of the ninetieth (90th) day before such annual meeting or the tenth (10th) day following the day on which Public Announcement of the date of such meeting is first made by the corporation. In no event shall the Public Announcement of an adjournment or postponement of an annual meeting of stockholders commence a new time period (or extend any time period) for the giving of a stockholder's notice as described in this Section 2.12(a)(ii).

(iii) To be in proper form for purposes of this Section 2.12, a stockholder's notice to the secretary (whether pursuant to this Section 2.12(a) or Section 2.12(b)) must set forth and describe in fair, accurate, and material detail:

(A) all Stockholder Information as to each Proposing Person;

(B) all Disclosable Interests as to each Proposing Person;

(C) all Proposed Nomination Information as to each Proposed Nominee, if the notice pertains to a Proposed Nominee;

(D) all Proposed Business Information, if the notice relates to any Other Business;

(E) a Holder of Record Representation by or on behalf of each Proposing Person; and

(F) a Proxy Solicitation Representation by or on behalf of each Proposing Person.

(iv) Notwithstanding anything in the second sentence of Section 2.12(a)(ii) to the contrary, if (A) the number of directors to be elected to the board of directors at an annual meeting is increased after the corporation has made Public Announcement of the number of directors to be elected at such meeting or the size of the board of directors is increased, and (B) there is no Public Announcement by the corporation naming all persons the board of directors nominated for director or specifying the size of the increased board of directors at least one hundred (100) days before the one-year anniversary of the preceding year's annual meeting, then a stockholder's notice required by this Section 2.12 shall also be considered timely, but only with respect to Proposed Nominees for any new positions created by such increase, if it shall be delivered to, or mailed to and received by, the secretary at the principal executive offices not later than the close of business on the tenth (10th) day following the day on which Public Announcement of such increase is first made by the corporation.

(v) Only such persons who are nominated in accordance with the procedures and other provisions set forth in Section 2.12(a) (expressly including those persons nominated by or at the direction of the board of directors) shall be eligible to be elected at an annual meeting of stockholders to serve as directors. Only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures and other provisions set forth or referred to in Section 2.12(a). Except as otherwise provided by applicable law, the chairman of an annual meeting of stockholders shall have the power and duty (A) if the facts warrant, to determine that a nomination or any business proposed to be brought before the annual meeting was not made or was not proposed, as the case may be, in accordance with the procedures set forth in this Section 2.12(a), and (B) if any proposed nomination or business was not made or was not proposed, as the case may be, in compliance with this Section 2.12(a), to declare that such nomination shall be disregarded or that such proposed business shall not be transacted.

(b) Special Meetings of Stockholders.

(i) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the corporation's notice of meeting pursuant to Section 2.2. Nominations of persons for election to the board of directors may be made for consideration and voting at a special meeting of stockholders at which directors are to be elected pursuant to the corporation's notice of meeting only (A) by or at the direction of the board of directors or (B) if a purpose for such meeting as stated in the corporation's notice for such meeting is the election of one or more directors, by any stockholder (x) who was a stockholder of record (and, with respect to any Beneficial Owner, if different, on whose behalf such nomination or nominations are made, only if such Beneficial Owner was the Beneficial Owner of Shares) both at the time the notice provided for in Section 2.12(b)(ii) is delivered to the secretary and on the record date for the determination of stockholders entitled to vote at the special meeting; (y) who is entitled to vote at the meeting in such election and (z) who complies with the notice procedures set forth in Section 2.12(b)(ii); *provided, however*, that a stockholder may nominate persons for election at a special meeting only to such position(s) as specified in the corporation's notice of the meeting.

(ii) If a special meeting has been called in accordance with Section 2.5 for the purpose of electing one or more directors to the board of directors, then for nominations of Proposed Nominees for election to the board of directors to be properly brought before such special meeting by a stockholder pursuant to Section 2.12(b)(i)(B), the stockholder (A) must have given timely notice thereof in writing and in the proper form to the secretary at the principal executive offices, and (B) must provide any updates or supplements to such notice at such times and in the forms required by this Section 2.12. To be timely, a stockholder's notice relating to a special meeting shall be delivered to, or mailed to and received by, the secretary at the principal executive offices not earlier than the close of business on the one hundred twentieth (120th) day before such special meeting and not later than the close of business on the later of (x) the ninetieth (90th) day before such special meeting or (y) the fifteenth (15th) day following the day on which Public Announcement is first made by the corporation of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall the Public Announcement of an adjournment or postponement of a special meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described in this Section 2.12(b)(ii). To be in proper form for purposes of this Section 2.12 (b), such notice shall set forth the information required by clauses (A), (B), (C), (E), and (F) of Section 2.12(a) (iii). Notice of Proposed Nominees for election to the board of directors included in a stockholder demand for a special meeting submitted in accordance with Section 2.5(c) shall be deemed timely and in proper form as set forth in Section 2.5(f).

(iii) Only such persons who are nominated in accordance with the procedures and other provisions set forth in this Section 2.12(b) (expressly including those persons nominated by or at the direction of the board of directors) shall be eligible to be elected at a special meeting of stockholders to serve as directors. Except as otherwise provided by applicable law, the chairman of a special meeting of stockholders shall have the power and duty (A) if the facts warrant, to determine that a nomination proposed to be made at the special meeting was not made in accordance with the procedures set forth in this Section 2.12(b), and (B) if any proposed nomination was not made in compliance with this Section 2.12(b), to declare that such nomination shall be disregarded.

(c) General.

(i) A stockholder providing notice of nominations of Proposed Nominees for election to the board of directors at an annual or special meeting of stockholders or notice of business proposed to be brought before an annual meeting of stockholders shall further update and supplement such notice so that all the information required to be provided in such notice pursuant to Section 2.12(a)(iii) (including, in the case of notice of nominations of Proposed Nominees in connection with a special meeting, the information required to be provided in such notice pursuant to Section 2.12(b)(i)) shall be true and correct as of:

(A) the record date for the determination of stockholders entitled to notice of the meeting;

(B) if such record date is more than fifteen (15) Business Days before the meeting, then as of the date that is ten (10) Business days before the meeting; and

(C) as of the date that is ten (10) Business Days before the date scheduled for the convening of any postponed meeting or the reconvening of any adjourned meeting.

(ii) The time that such updated and supplemental information must be delivered to, or mailed to and received by, the secretary at the principal executive offices is as follows :

(A) in the case of information that is required to be updated and supplemented pursuant to Section 2.12(c)(i)(A) to be true and correct as of the record date for the determination of stockholders entitled to notice of the meeting, not later than the later of (x) five (5) Business Days after such record date or (y) five (5) Business Days after the Public Announcement of such record date; and

(B) in the case of information that is required to be updated and supplemented pursuant to Section 2.12(c)(i)(B) to be true and correct as of the date that is ten (10) Business Days before the meeting, not later than eight (8) Business Days before the meeting; and

(C) in the case of information that is required to be updated and supplemented pursuant to Section 2.12(c)(i)(C) to be true and correct as of the date that is ten (10) Business Days before the date scheduled for the convening of any postponed meeting or the reconvening of any adjourned meeting, not later than eight (8) Business Days before the date scheduled for such convening or reconvening of the meeting; *provided, however*, if it is not practicable to provide such updated and supplemental information not later than eight (8) Business Days before the date scheduled for such convening or reconvening, on the first practicable date before any such convening or reconvening.

(iii) The corporation may require any Proposed Nominee to furnish such other information as it may reasonably require to determine (A) the eligibility of such Proposed Nominee to serve as a director, and (B) whether such Proposed Nominee qualifies as an “independent director” or “audit committee financial expert” under applicable law, securities exchange rule or regulation, or any publicly disclosed corporate governance guideline or committee charter of the corporation.

(iv) Notwithstanding the foregoing provisions of this Section 2.12, unless otherwise required by applicable law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders to present a nomination or proposed business that such stockholder has proposed in accordance with

this Section 2.12, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the corporation. For purposes of this Section 2.12, to be considered a qualified representative of the stockholder, a Person must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such Person must produce to the secretary or inspector of elections such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the meeting of stockholders.

(v) Section 2.12(a) is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made pursuant to Rule 14a-8 under the Exchange Act. Nothing in this Section 2.12 shall be deemed to (A) affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 (or any successor thereto) promulgated under the Exchange Act, (B) confer upon any stockholder a right to have a nominee or any proposed business included in the corporation's proxy statement, or (C) affect the rights of the holders of any class or series of Shares having a preference over the common stock of the corporation (the "common stock"), as to dividends or upon liquidation, to nominate and elect directors pursuant to and to the extent provided in any applicable provisions of the certificate of incorporation.

(d) Definitions. As used in these bylaws, the following capitalized terms shall have the following meanings:

(i) a Person shall be deemed to be the "Beneficial Owner" of, to "Beneficially Own" or to have "Beneficial Ownership" of any Referenced Securities of the corporation (A) that such Person or any of such Person's affiliates or associates beneficially owns, directly or indirectly, for purposes of Section 13(d) of the Exchange Act and Rule 13d-3 thereunder (or any comparable or successor law or regulation); (B) that such Person or any of such Person's affiliates or associates has (x) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing), or upon the exercise of conversion, exchange purchase rights, warrants or options, or otherwise; (y) the right to vote or to direct the vote of, pursuant to any agreement, arrangement or understanding, whether or not in writing; or (z) the right to dispose, direct, or cause the disposition of, pursuant to any agreement, arrangement or understanding, whether or not in writing; or (C) that are beneficially owned, directly or indirectly, by any other Person or any affiliate or associate thereof with which such Person or any of such Person's affiliates or associates has any agreement, arrangement or understanding, whether or not in writing for the purpose of acquiring, holding, voting or disposing of any such Referenced Securities of the corporation;

(ii) "Business Day" shall mean a day, other than Saturday, Sunday, or public holidays in the United States of America;

(iii) "Derivative Instrument" shall mean any option, warrant, convertible security, stock appreciation right, future, forward, swap, borrowing or financing agreement or arrangement, synthetic arrangement or similar right, agreement or arrangement (whether or not currently exercisable and whether written or oral) with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any Referenced Securities of the corporation or any of the corporation's associates, affiliates, or Subsidiaries, or with a value derived in whole or in part from the value of any Referenced Securities of the corporation or any of the corporation's associates, affiliates, or Subsidiaries, including by reference to the market price, volatility, dividend, or interest rate or other attribute, whether or not such instrument or right shall be subject to settlement through delivery of (or otherwise with respect to) the underlying Referenced Securities, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of Referenced Securities of the corporation, including by reference to the market price, volatility, dividend or interest rate or other attribute, including but not limited to "derivative securities" as defined under Rule 16a-1 under the Exchange Act; *provided, however*, that Derivative Instrument shall not include interests in broad-based index options, broad-based index futures, and broad-based publicly traded market baskets of stocks approved for trading by the appropriate federal governmental authority;

(iv) "Disclosable Interests" shall mean with respect to each Proposing Person: (A) (i) all Long Interests, (ii) all Short Interests, (iii) all indebtedness and other obligations of the corporation, and (iv) all Synthetic Interests, in each case (i) through (iv), in which that Proposing Person, directly or indirectly, holds an interest; (B) any proxy (other than a revocable proxy given in response to a public proxy solicitation made pursuant to, and in accordance with,

the Exchange Act), agreement, arrangement, understanding or relationship pursuant to which such Proposing Person has or shares a right to, directly or indirectly, vote or direct or cause any third party to vote any Shares; (C) any rights to dividends or other distributions on or with respect to Shares, directly or indirectly, Beneficially Owned by such Proposing Person that are separated or separable from the underlying Shares; (D) any carried interest, profits interest or other performance-related fees (other than an asset based fee) to which such Proposing Person, directly or indirectly, is entitled based on any past, present or future increase or decrease in the value of any Referenced Securities of the corporation and/or Synthetic Interest; and (E) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the nominations or business proposed to be brought before the meeting pursuant to Regulation 14A under the Exchange Act, including without limitation, for purposes of clauses (A) through (E) of this Section 2.12(d)(iv), any of the foregoing held by or otherwise applicable to any member of such Proposing Person's immediate family sharing the same household. With respect to the interests described in clauses (A)(i) through (A)(iv) of this Section 2.12(d)(iv), Disclosable Interests shall also include, without limitation, (x) the date on which the Proposing Person acquired an interest, directly or indirectly, in any Referenced Securities of the corporation and/or Synthetic Interest, and (y) the initial and present investment intent as to such interests. With respect to any Synthetic Interest, Disclosable Interests shall also include, without limitation, the identification of the counterparty to and any other participant in each such Synthetic Interest and whether (1) such Synthetic Interest conveys to such Proposing Person any voting rights, directly or indirectly, in any Referenced Securities of the corporation or any of the corporation's associates, affiliates, or Subsidiaries, (2) such Synthetic Interest is required to be, or is capable of being, settled through delivery of (or otherwise with respect to) Referenced Securities of the corporation or any of the corporation's associates, affiliates, or Subsidiaries, and (3) such Proposing Person, counterparty, or any other participant in such Synthetic Interest has entered into other transactions, agreements, arrangements, understandings, or relationships that hedge, mitigate, or otherwise alter or affect the economic effect of such Synthetic Interest. Notwithstanding anything to the contrary in this Section 2.12(d)(iv), Disclosable Interests shall not include any such disclosures with respect to the ordinary course of business activities of any broker, dealer, commercial bank, or trust company (or nominee for any of them) who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these bylaws on behalf of a Beneficial Owner;

(v) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended;

(vi) "Holder of Record Representation" shall mean a representation that the Proposing Person is a holder of record of Shares entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination;

(vii) "Long Interest" shall mean all securities, including securities that are not equity securities, of the corporation that are Beneficially Owned, other than a Synthetic Long Interest;

(viii) "Other Business" shall mean business that the stockholder proposes to bring at a meeting (which, for purposes of this clause (viii), shall not include the nomination of persons for election to the board of directors);

(ix) "Person" shall mean a natural person, corporation, partnership (general or limited), limited liability company, firm, estate, trust, common or collective fund, association, unincorporated organization, private foundation, joint stock company, or other organization or entity;

(x) "Proposed Business Information" shall mean with respect to any Other Business: (A) a reasonably brief description of the business desired to be brought at the meeting; (B) the text of the proposal or business (including the text of any resolutions proposed for consideration and if such business includes a proposal to amend these bylaws, the language of the proposed amendment); (C) the reasons for conducting such business at the meeting; (D) any present or prospective material interest in such business of each Proposing Person; and (E) a summary of any material agreements, arrangements, and understandings regarding the business proposed to be brought at the meeting (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other record or Beneficial Owner of any Referenced Securities of the corporation and/or Synthetic Interest or any other Person or Persons (including their names);

(xi) “Proposed Nomination Information” shall mean with respect to any Proposed Nominee: (A) the name, age, business and residence address, and principal occupation or employment, of the Proposed Nominee; (B) all other information relating to the Proposed Nominee that would be required to be disclosed about such Proposed Nominee if proxies were being solicited for the election of the Proposed Nominee as a director in an election contest (whether or not such proxies are or will be solicited), or that is otherwise required, in each case pursuant to and in accordance with Regulation 14A under the Exchange Act; (C) such Proposed Nominee’s written consent to being named in the proxy statement, if any, as a Proposed Nominee and to serving as a director if elected; and (D) all information with respect to such Proposed Nominee that would be required to be set forth in a stockholder’s notice pursuant to this Section 2.12 if such Proposed Nominee were a Proposing Person;

(xii) “Proposed Nominee” shall mean a person or persons nominated by a stockholder or stockholders for election to the board of directors in accordance with these bylaws;

(xiii) “Proposing Person” shall mean (A) the stockholder or stockholders giving the notice required by Section 2.12(a) or Section 2.12(b), (B) the Beneficial Owner or Beneficial Owners, if different, on whose behalf such notice is given, and (C) any affiliates or associates (each within the meaning of Rule 12b-2 under the Exchange Act, or its successor provision) of such stockholder(s) or Beneficial Owner(s);

(xiv) “Proxy Solicitation Representation” shall mean a representation whether any Proposing Person intends or is part of a group that intends (A) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of outstanding Shares required to approve or adopt the proposed business or elect the Proposed Nominee and/or (B) otherwise to solicit proxies from stockholders in support of such proposed business or Proposed Nominee;

(xv) “Public Announcement” shall mean disclosure by the corporation in a press release reported by the Dow Jones News Service, Associated Press, Bloomberg, or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14, or 15(d) of the Exchange Act;

(xvi) “Referenced Securities” shall mean shares of any class or series of capital stock, other securities, obligations, indebtedness of, or any other legal or beneficial interest in, an entity, whether or not such instrument or right constitutes a “security” under the Exchange Act;

(xvii) “Short Interest” shall mean any short sale within the meaning of Rule 200 of the Exchange Act, any sale of borrowed securities, “naked short sale” or any other short interest in any security (including a security that is not an equity security) of the corporation, other than a Synthetic Short Interest;

(xviii) “Stockholder Information” shall mean as to each Proposing Person (A) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the corporation’s books and records); and (B) the class or series and number of shares of capital stock of the corporation or any of its Subsidiaries that are, directly or indirectly, owned of record or Beneficially Owned by such Proposing Person;

(xix) “Subsidiary” or “Subsidiaries” shall mean any corporation, limited liability company, partnership, or other business organization in which the corporation controls more than 50% of the voting power;

(xx) “Synthetic Interest” shall mean any Synthetic Long Interest or Synthetic Short Interest;

(xxi) “Synthetic Long Interest” shall mean any Derivative Instrument that represents an opportunity to profit or share in any profit derived from any increase in the value of Referenced Securities of the corporation or any of the corporation’s associates, affiliates, or Subsidiaries, other than a Long Interest; and

(xxii) “Synthetic Short Interest” shall mean any Derivative Instrument that represents an opportunity to profit or share in any profit derived from any decrease in the value of Referenced Securities of the corporation or any of the corporation’s associates, affiliates, or Subsidiaries, other than any Short Interest.

### **Section 2.13. Remote Communication.**

(a) In lieu of holding an annual or special meeting of stockholders at a designated place as set forth in Section 2.1, the board of directors may, in its sole discretion, determine that any annual or special meeting of stockholders may be held solely by means of remote communication.

(b) If authorized by the board of directors, in its sole discretion, and subject to such guidelines and procedures as the board of directors may adopt, stockholders and proxyholders may, by means of remote communication:

(i) participate in a meeting of stockholders, whether such meeting is held at a designated place or solely by means of remote communication; and

(ii) be deemed present in person and vote at a meeting of stockholders, whether such meeting is to be held at a designated place or solely by means of remote communication; *provided, however*, that (A) the corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (B) the corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (C) if any stockholder or proxyholder votes or takes action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation.

## **ARTICLE 3**

### **DIRECTORS**

**Section 3.1. General Powers.** The business and affairs of the corporation shall be managed by or under the direction of the board of directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not required by the certificate of incorporation, these bylaws, or applicable law to be exercised or done solely by stockholders.

**Section 3.2. Number of Directors.** Except as otherwise fixed by the certificate of incorporation, the number of directors constituting the full board of directors shall be not less than three (3) nor more than fifteen (15) directors. The number of directors constituting the full board of directors shall be such number as from time to time shall be specified by resolution of the board of directors adopted by the affirmative vote of a majority of directors then in office or such other vote as may be required by the certificate of incorporation; *provided, however*, no director's term shall be shortened by reason of a resolution reducing the number of directors.

**Section 3.3. Election, Qualification, and Term of Office of Directors.** Directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting and until their successors are elected and qualified or until their earlier resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. Elections of directors need not be by written ballot. At least two-thirds of the directors shall be independent under the rules of the New York Stock Exchange.

**Section 3.4. Organization.** Meetings of the board of directors shall be presided over by the chairman of the board or, in the absence of the chairman of the board, first by the chief executive officer and next by the president, in each case if then a member of the board of directors, or in the absence of all of them, by a chairman so chosen at the meeting by the directors thereat.

**Section 3.5. Regular Meetings.** Regular meetings of the board of directors shall be held on such dates and at such times and places (if any), within or without the State of Delaware, as shall from time to time be determined by the board of directors. In the absence of any such determination, such meetings shall be held, upon notice to each director in accordance with Section 3.10, on such dates and at such times and places (if any) as shall be designated by the chairman of the board.

**Section 3.6. Special Meetings.** Special meetings of the board of directors may be called by the chairman of the board, chief executive officer, or president, and shall be called by the chief executive officer, president, or secretary on the written request of at least three directors, unless the board of directors consists of fewer than three directors, in which case special meetings shall be called in like manner and on like notice on the written request of all directors then in office.

**Section 3.7. Quorum, Majority Vote.** At all meetings of the board of directors, a majority of the directors then in office shall constitute a quorum for the transaction of business and the vote of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise provided by the certificate of incorporation, these bylaws, or applicable law; *provided, however*, that in no event may a quorum be less than one-third (1/3) of the entire board of directors. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

**Section 3.8. Action Without Meeting.** Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting, if all members of the board of directors or of any committee thereof, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of the board of directors or committee thereof; *provided, however*, that such electronic transmission or transmissions must set forth (or be submitted with) information from which it can be determined that the electronic transmission or transmissions were authorized by the director. Such filing with the minutes of the proceedings of the board of directors shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

**Section 3.9. Participation in Meetings by Conference Telephone or Other Remote Means.** Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors or of any committee thereof, may participate in a meeting of the board of directors or of any committee thereof, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

**Section 3.10. Notice of Meetings.** Notice of any meeting of the board of directors or any committee thereof shall be given to each director or member of such committee, as the case may be, by facsimile transmission (directed to the facsimile transmission number at which the director has consented to receive notice), electronic mail (directed to the electronic mail address at which the director has consented to receive notice), any other form of electronic transmission pursuant to which the director has consented to receive notice, or overnight delivery, or be given personally or by telephone, at least twenty-four (24) hours before the meeting is to be held. Every such notice shall state the time and place (if any), but need not state the purpose of the meeting. Notice need not be given to any director who shall, either before or after the meeting, submit a signed waiver in writing or by electronic transmission of such notice or who shall attend such meeting without protesting, prior to or at its commencement, the lack of notice to such director. If waiver of notice is given by electronic transmission, such electronic transmission must set forth (or be submitted with) information from which it can be determined that the electronic transmission was authorized by the director. When a meeting of the board of directors or any committee thereof is adjourned to another time and place (if any), then unless otherwise provided by the certificate of incorporation, these bylaws, or applicable law, notice need not be given of the adjourned meeting if the adjourned meeting is scheduled at the original meeting.

**Section 3.11. Rules and Regulations.** The board of directors may adopt such rules and regulations not inconsistent with the certificate of incorporation, these bylaws, or applicable law for the conduct of its meetings and management of the affairs of the corporation as the board of directors may deem proper.

**Section 3.12. Resignations.** Any director may at any time resign by giving notice in writing or by electronic transmission to the board of directors, the chairman of the board, the chief executive officer, the president, or the secretary; *provided, however*, that if such notice is given by electronic transmission, such electronic transmission must set forth (or be submitted with) information from which it can be determined by the board of directors that the electronic transmission was authorized by the director. Such resignation shall take effect at the time specified therein or, if the time be not specified, upon receipt thereof; and, unless otherwise specified therein or in Section 3.16(b), the acceptance of such resignation shall not be necessary to make it effective.

**Section 3.13. Removal of Directors.** Unless otherwise restricted by the certificate of incorporation, these bylaws, or applicable law, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the Shares then entitled to vote on such matter.

**Section 3.14. Vacancies.** Subject to the rights of the holders of any class or series of Shares having a preference over the common stock as to dividends or upon liquidation, any vacancies on the board of directors resulting from death, resignation, removal or other cause, shall only be filled by the affirmative vote of a majority of the remaining directors then in office, even though less

than a quorum of the board of directors, or by a sole remaining director. Newly created directorships resulting from any increase in the number of directors shall be filled by the board of directors, or if not so filled, by the stockholders at the next annual meeting or at a special meeting called for that purpose in accordance with Section 2.5. Any director elected in accordance with this Section 3.14 shall hold office for the remainder of the full term of any class of directors in which the new directorship was created or the vacancy occurred and until his successor shall have been elected and qualified or until his earlier resignation or removal.

**Section 3.15. Compensation of Directors.** Unless otherwise restricted by the certificate of incorporation, these bylaws, or applicable law, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated fee as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefore. Members of committees of the board of directors may be allowed like compensation for attending committee meetings.

**Section 3.16. Election by Majority Vote.**

(a) At any meeting of stockholders at which directors are to be elected and at which a quorum is present, each director to be elected shall be elected by the vote of the majority of the votes cast with respect to the nominee at such meeting; *provided, however*, that at any meeting of stockholders at which directors are to be elected and at which a quorum is present, the directors shall be elected by the vote of a plurality of votes cast in the election of directors if (i) the corporation receives a notice that a stockholder has nominated a person for election to the board of directors in compliance with the advance notice requirements for stockholder nominees for directors set forth in Section 2.12, and (ii) such nomination has not been withdrawn by such stockholder on or prior to the tenth (10th) day preceding the date the corporation first mails its notice of meeting for such meeting to stockholders of record. For purposes of this Section 3.16, a majority of the votes cast means that the number of Shares voted “for” a nominee’s election (or similar vote of approval) must exceed the number of Shares voted “against” together with the number of Shares voted as “withhold” for such nominee’s election, and abstentions shall not be counted as votes cast.

(b) As a condition to nomination of an incumbent director, each such nominee shall submit an irrevocable offer of resignation to the board of directors, which resignation shall become effective if (i) such nominee is proposed for reelection and is not reelected at a meeting of the stockholders in which majority voting applies and the stockholders vote on the election of directors at such meeting, and (ii) the offer of resignation is accepted by the board of directors by the vote of a majority of the directors (excluding any director who has not been reelected at such meeting) then in office.

## ARTICLE 4

### BOARD COMMITTEES

**Section 4.1. Committees.** The board of directors may designate one or more committees of the board of directors (each a “committee”), each committee to consist of one or more directors. The board of directors shall have the power at any time to create additional committees, to change the membership of, to increase or decrease the membership of, to fill all vacancies in and to discharge any such committee, or any member thereof, either with or without cause. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolutions of the board of directors, or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation (including the power and authority to designate other committees), and may authorize the seal of the corporation to be affixed to all papers that may require it; *provided, however*, that no such committee shall have the power or authority with respect to the following matters: (a) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the General Corporation Law of the State of Delaware to be submitted to stockholders for approval; or (b) adopting, amending or repealing these bylaws.

**Section 4.2. Executive Committee.** The board of directors may, if it so chooses, designate one or more of its members to constitute members or alternate members of an executive committee of the board of directors, which committee shall have and may exercise,

between meetings of the board, all the powers and authority of the board of directors in the management of the business and affairs of the corporation, subject to the limitations set forth in Section 4.1.

#### **Section 4.3. Committee Meetings; Quorum; Procedure; Notice.**

(a) Regular meetings of any committee may be held at such times and places (if any) as shall be fixed by the chairman of the committee or by resolution adopted by a majority of the members thereof, or in such other manner as provided by the board of directors in the committee's charter, unless the board of directors otherwise provides.

(b) Special meetings of any committee shall be called by the chairman of the committee or in such other manner as provided by the board of directors in the committee's charter or by resolution adopted by the majority of the members of the committee. Any special meeting of any committee shall be a legal meeting without any notice thereof having been given, if all the members thereof shall be present in person or by any of the means designated in Section 3.9 as constituting presence in person at the meeting.

(c) Fifty percent (50%) or more of any committee shall constitute a quorum for the transaction of business at any meeting, and the vote of a majority of the members thereof present at any meeting at which a quorum is present shall be the act of such committee, except as otherwise provided in Section 4.1. Any committee may adopt such rules and regulations not inconsistent with the certificate of incorporation, these bylaws, or applicable law for the conduct of its meetings as the committee may deem proper. All committees shall keep written minutes of their proceedings, copies of which are to be filed with the secretary, and shall report on such proceedings to the board of directors.

(d) Unless otherwise provided by these bylaws or any such rules or resolutions, notice of the time and place (if any) of any meeting of a committee shall be given to each member of such committee as provided in Section 3.10 with respect to notices of meetings of the board of directors.

### **ARTICLE 5**

#### **OFFICERS**

**Section 5.1. Election, Qualification.** Officers shall be elected or appointed by the board of directors and shall be a chief executive officer, a chief financial officer, one or more vice presidents, and a secretary. The board of directors may also designate as officers a president, one or more assistant secretaries, a treasurer, one or more assistant treasurers, and such other officers and agents as it deems necessary or advisable. Any number of offices may be held by the same person, unless otherwise provided by the certificate of incorporation, these bylaws, or applicable law.

**Section 5.2. Salary.** Subject to applicable law and except as provided in Section 5.14, salaries of all officers shall be fixed by the board of directors.

**Section 5.3. Term, Removal.** Officers shall hold office until their successors are chosen and qualify or until their earlier resignation or removal. Any officer elected or appointed by the board of directors may be removed at any time by the affirmative vote of a majority of the board of directors as provided in Section 3.7.

**Section 5.4. Resignation.** Subject at all times to the right of removal as provided in Section 5.3, any officer may resign at any time by giving notice in writing or by electronic communication to the board of directors, the chief executive officer, the president or the secretary. If such notice is given by electronic transmission, such electronic transmission must either set forth (or be submitted with) information from which it can be determined by the board of directors that the electronic transmission was authorized by the officer. Any such resignation shall take effect at the date of receipt of such notice or at any later date specified therein; *provided, however*, that (a) the chief executive officer or the president or, in the event of the resignation or vacancy of both the chief executive officer and the president, the board of directors, may designate an effective date for such resignation that is earlier than the date specified in such notice but that is not earlier than the date of receipt of such notice; and (b) unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**Section 5.5. Vacancies.** A vacancy in any office because of death, resignation, removal or any other cause may be filled for the unexpired portion of the term in the manner prescribed in these bylaws for election or appointment to such office.

**Section 5.6. Chief Executive Officer.** The chief executive officer shall have, subject to the supervision, direction and control of the board of directors, the general powers and duties of supervision, direction, and management of the business and affairs of the corporation, including, without limitation, all powers necessary to direct and control the organizational and reporting relationships within the corporation. The chief executive officer shall ensure that all orders and resolutions of the board of directors are carried into effect. In addition, the chief executive officer shall have such other powers and perform such other duties as may be delegated to him by the board of directors or as are set forth in the certificate of incorporation or these bylaws. If the board of directors has not elected or appointed a president or the office of the president is otherwise vacant, and no officer otherwise functions with the powers and duties of the president, then, unless otherwise determined by the board of directors, the chief executive officer shall also have all the powers and duties of, and subject to all the restrictions upon, the president.

**Section 5.7. The President.** The president (if there is such an officer and the board of directors so directs) shall serve as chief operating officer and have the powers and duties customarily and usually associated with the office of chief operating officer unless the board of directors provides for another officer to serve as chief operating officer (or to have the powers and duties of chief operating officer). The president shall have such other powers and perform such other duties as may be delegated to him from time to time by the board of directors or the chief executive officer. If the board of directors has not elected or appointed a chief executive officer or the office of chief executive officer is otherwise vacant, then, unless otherwise determined by the board of directors, the president shall also have all the powers and duties of, and be subject to all the restrictions upon, the chief executive officer.

**Section 5.8. Vice Presidents.** In the absence or vacancy of the chief executive officer and the president or, in the event of their inability or refusal to act, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated by the board of directors, or in the absence of any designation, then in the chronological order of their election as vice president) shall perform the duties of the chief executive officer and the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the chief executive officer and the president. The vice presidents shall perform such other duties and have such other powers as the board of directors, the chief executive officer, or the president may from time to time prescribe.

**Section 5.9. The Chief Financial Officer.** The chief financial officer shall be responsible for the financial affairs of the corporation, including (if a treasurer has been appointed) overseeing the duties performed by the treasurer. In addition, the chief financial officer shall have such powers and duties customarily and usually associated with the office of the chief financial officer of a corporation similar to the corporation and shall have such other powers and perform such other duties as may be delegated to him or her from time to time by the board of directors or the chief executive officer.

**Section 5.10. Secretary.** The secretary shall attend all meetings of the board of directors and all meetings of the stockholders and record all the proceedings of such meetings in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of stockholders and special meetings of the board of directors, and shall perform such other duties as may be prescribed by the board of directors, chief executive officer, or president, under whose supervision he shall serve.

**Section 5.11. Assistant Secretary.** The assistant secretary (if there is such an officer), or if there be more than one, the assistant secretaries in the order determined by the board of directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

**Section 5.12. Treasurer.** The treasurer (if there is such an officer and the board of directors so directs) shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the chief executive officer, the president (if there is such an officer) and the board of directors, at its regular meetings or otherwise as the board of directors so requires, an account of all his transactions as treasurer and of the financial condition of the corporation. If required by the board of directors, he shall give the corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession

or under his control belonging to the corporation. Subject to the control of the board of directors, he shall have such other powers and duties as the board of directors, the chief executive officer, or the president may from time to time prescribe.

**Section 5.13. Assistant Treasurer.** The assistant treasurer (if there is such an officer), or if there shall be more than one, the assistant treasurers in the order determined by the board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the treasurer or in the event of his inability or refusal to act, perform the duties and exercise the powers of the treasurer and shall perform such other duties and have such other powers as the board of directors may from time to time prescribe.

**Section 5.14. Regional, Divisional or Departmental Vice Presidents.** The board of directors may delegate to the chief executive officer or president the power to appoint one or more employees of the corporation as regional, divisional, or departmental vice presidents, including the power to fix the duties and establish the specific titles of such appointees, to remove such appointees, and to fix the salaries of such appointees; *provided, however*, that such appointees shall serve at levels of seniority lesser than that of individuals serving (a) as senior vice presidents, (b) as executive vice presidents, (c) as general counsel, or (d) in equivalent or higher positions than those set out in clauses (a) through (c) of this Section 5.14.

## ARTICLE 6

### INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS

**Section 6.1. Indemnification and Advancement.** The rights of directors, officers, and other persons to indemnification and advancement of expenses shall be as provided in the certificate of incorporation or any separate indemnification agreement between the corporation and any such director, officer, or other person.

**Section 6.2. Determination of Entitlement to Indemnification.** Any indemnification required or permitted pursuant to the certificate of incorporation (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because he has met all applicable standards of conduct set forth in the certificate of incorporation and Section 145 of the General Corporation Law of the State of Delaware or in any separate indemnification agreement between the corporation and any such director, officer, or other person. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (a) by a majority vote of the directors who are not parties to such Proceeding (as defined in the certificate of incorporation) even though less than a quorum; (b) by a committee of such directors designated by majority vote of such directors, even though less than a quorum; (c) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion; or (d) by the stockholders. Such determination shall be made, with respect to any person who is not a director or officer at the time of such determination, in the manner determined by the board of directors (including in such manner as may be set forth in any general or specific action of the board of directors applicable to indemnification claims by such person) or in the manner set forth in any agreement to which such person and the corporation are parties.

## ARTICLE 7

### CERTIFICATES OF STOCK

**Section 7.1. Certificates.** All Shares shall be represented by certificates, unless (a) the certificate of incorporation otherwise provides, (b) unless the board of directors provides by resolution or resolutions that some or all of the Shares of any class or classes, or series thereof, shall be uncertificated, or (c) the Shares are evidenced by registration in the holder's name in uncertificated, book-entry form on the books of the corporation in accordance with a direct registration system approved by the Securities and Exchange Commission and by any securities exchange on which the Shares may from time to time be traded. Every holder of Shares represented by certificates shall be entitled to a certificate representing such Shares. Certificates for Shares shall be issued under the seal of the corporation, or a facsimile thereof, and shall be numbered and shall be entered in the books of the corporation as they are issued. Each certificate shall bear a serial number, shall exhibit the holder's name and the number of Shares evidenced thereby, and shall be signed by the chairman or vice chairman of the board, if any, or the chief executive officer, or the president or any vice president, and by the secretary or an assistant secretary or the treasurer or an assistant treasurer, or by such other officers as the board of directors may designate.

**Section 7.2. Facsimile Signatures.** Any or all of the signatures on any certificate of stock may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

**Section 7.3. Lost Certificates.** The board of directors or any officer may direct a new certificate or certificates to be issued in place of any certificate theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the board of directors or such officer may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

**Section 7.4. Transfers of Stock.** Upon surrender to the corporation or the transfer agent of the corporation of a certificate for Shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. In the case of uncertificated Shares, transfers of Shares shall be made on the books of the corporation upon receipt of proper transfer instructions from the registered holder of the Shares or person authorized constituted in writing, and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring Shares in uncertificated form; *provided, however,* that such surrender and endorsement, compliance or payment of taxes shall not be required in any case in which the officers shall determine to waive such requirement.

**Section 7.5. Fixing Record Date.**

(a) In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the board of directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the board of directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for determining stockholders entitled to vote. If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however,* that the board of directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the foregoing provisions of this Section 7.5(a) at the adjourned meeting.

(b) The record date for determining the stockholders entitled to consent to corporate action in writing without a meeting shall be fixed in the manner provided in Section 2.11(b).

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of Shares, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

**Section 7.6. Registered Stockholders.** The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of Shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of Shares, and shall not be bound to recognize any equitable or other claim to or interest in such Shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the General Corporation Law of the State of Delaware.

## ARTICLE 8

### AFFILIATED TRANSACTIONS

**Section 8.1. Validity.** Except as otherwise provided for in the certificate of incorporation, if Section 8.2 is satisfied, no contract or transaction between the corporation and any of its directors, officers or security holders, or any corporation, partnership, association or other organization in which any of such directors, officers or security holders are directly or indirectly financially interested, shall be void or voidable solely because of this relationship, or solely because of the presence of the director, officer or security holder at the meeting authorizing the contract or transaction, or solely because of his or their participation in the authorization of such contract or transaction or vote at the meeting therefor, whether or not such participation or vote was necessary for the authorization of such contract or transaction.

**Section 8.2. Disclosure, Approval; Fairness.** Section 8.1 shall apply only if:

(a) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known:

(i) to the board of directors (or committee thereof) and it nevertheless in good faith authorizes or ratifies the contract or transaction by a majority of the directors present, each such interested director to be counted in determining whether a quorum is present but not in calculating the number necessary to carry the vote; or

(ii) to the stockholders and they nevertheless authorize or ratify the contract or transaction by a majority of the Shares present at a meeting considering such contract or transaction, each such interested person who is a stockholder to be counted in determining whether a quorum is present but not in calculating the number necessary to carry the vote; or

(b) the contract or transaction is fair to the corporation as of the time it is authorized, approved or ratified by the board of directors (or committee thereof) or the stockholders.

**Section 8.3. Nonexclusive.** This provision shall not be construed to invalidate a contract or transaction that would be valid in the absence of this provision.

## ARTICLE 9

### GENERAL PROVISIONS

**Section 9.1. Dividends.** Dividends upon Shares, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to applicable law. Dividends may be paid in cash, in property, or in Shares, subject to the provisions of the certificate of incorporation.

**Section 9.2. Reserves.** Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the board of directors from time to time, in its absolute discretion, thinks proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the board of directors shall think conducive to the interest of the corporation, and the board of directors may modify or abolish any such reserve in the manner in which it was created.

**Section 9.3. Checks.** All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

**Section 9.4. Fiscal Year.** The fiscal year of the corporation shall be fixed by resolution of the board of directors.

**Section 9.5. Seal.** The corporate seal shall have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed, affixed, reproduced or otherwise.

**Section 9.6. Electronic Transmission.** For purposes of these bylaws, "electronic transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a

recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process, and that meets the standards set forth in Section 2.2(b).

**Section 9.7. Section References.** Unless otherwise indicated, all references in these bylaws to a Section or Sections are to the section or sections of these bylaws.

**Section 9.8. Gender.** Throughout these bylaws, unless the context clearly requires a different interpretation, all references to "he" or "him" or "his" shall be read to mean "he or she," "him or her," or "his or hers," respectively.

## ARTICLE 10

### AMENDMENTS

**Section 10.1. Amendments.** These bylaws may be altered, amended or repealed, or new bylaws may be adopted, by the affirmative vote of a majority of directors then in office, voting in favor thereof, at any meeting of the board of directors, unless otherwise provided by the certificate of incorporation, these bylaws, or applicable law. The stockholders shall have the power to adopt, amend, or repeal any provisions of the bylaws by the vote specified in Section 2.9.

Amended and Restated as of

November 4, 2014

/s/ James S. Matthews

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James S. Matthews, Secretary

**CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Phil Rykhoek, certify that:

1. I have reviewed this report on Form 10-Q of Denbury Resources Inc. (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2014

/s/ Phil Rykhoek

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Phil Rykhoek

President and Chief Executive Officer

**CERTIFICATION UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mark C. Allen, certify that:

1. I have reviewed this report on Form 10-Q of Denbury Resources Inc. (the registrant);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 7, 2014

/s/ Mark Allen

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Mark C. Allen

Senior Vice President, Chief Financial Officer,  
Treasurer, and Assistant Secretary

**Certification of Chief Executive Officer and Chief Financial Officer  
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the accompanying Annual Report on Form 10-Q for the quarter ended September 30, 2014 (the Report) of Denbury Resources Inc. (Denbury) as filed with the Securities and Exchange Commission, each of the undersigned, in his capacity as an officer of Denbury, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Denbury.

Dated: November 7, 2014

/s/ Phil Rykhoek

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Phil Rykhoek

President and Chief Executive Officer

Dated: November 7, 2014

/s/ Mark C. Allen

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Mark C. Allen

Senior Vice President, Chief Financial Officer,  
Treasurer, and Assistant Secretary